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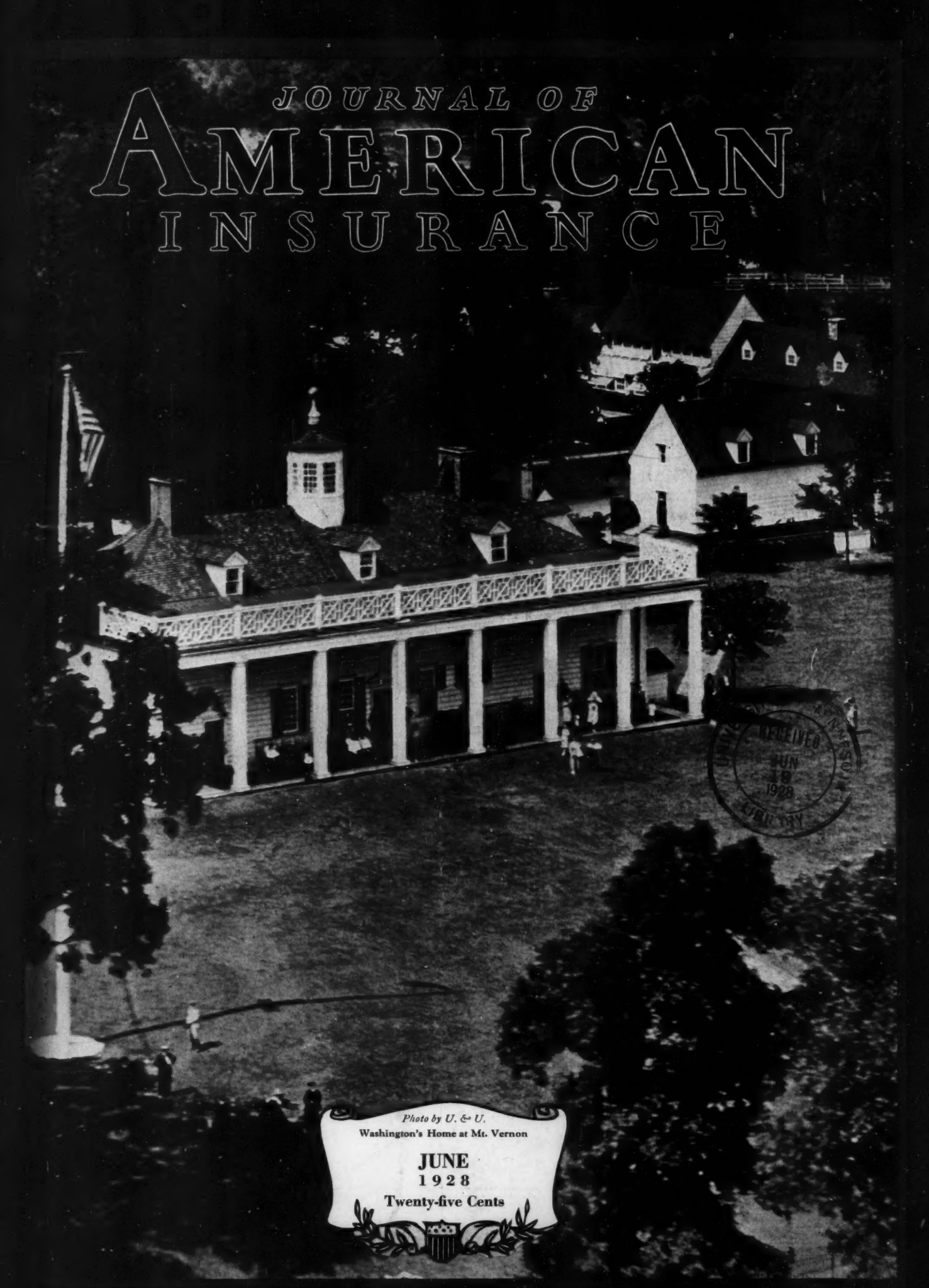

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DR. SULLIVAN

State Insurance Commissioner of New Hampshire

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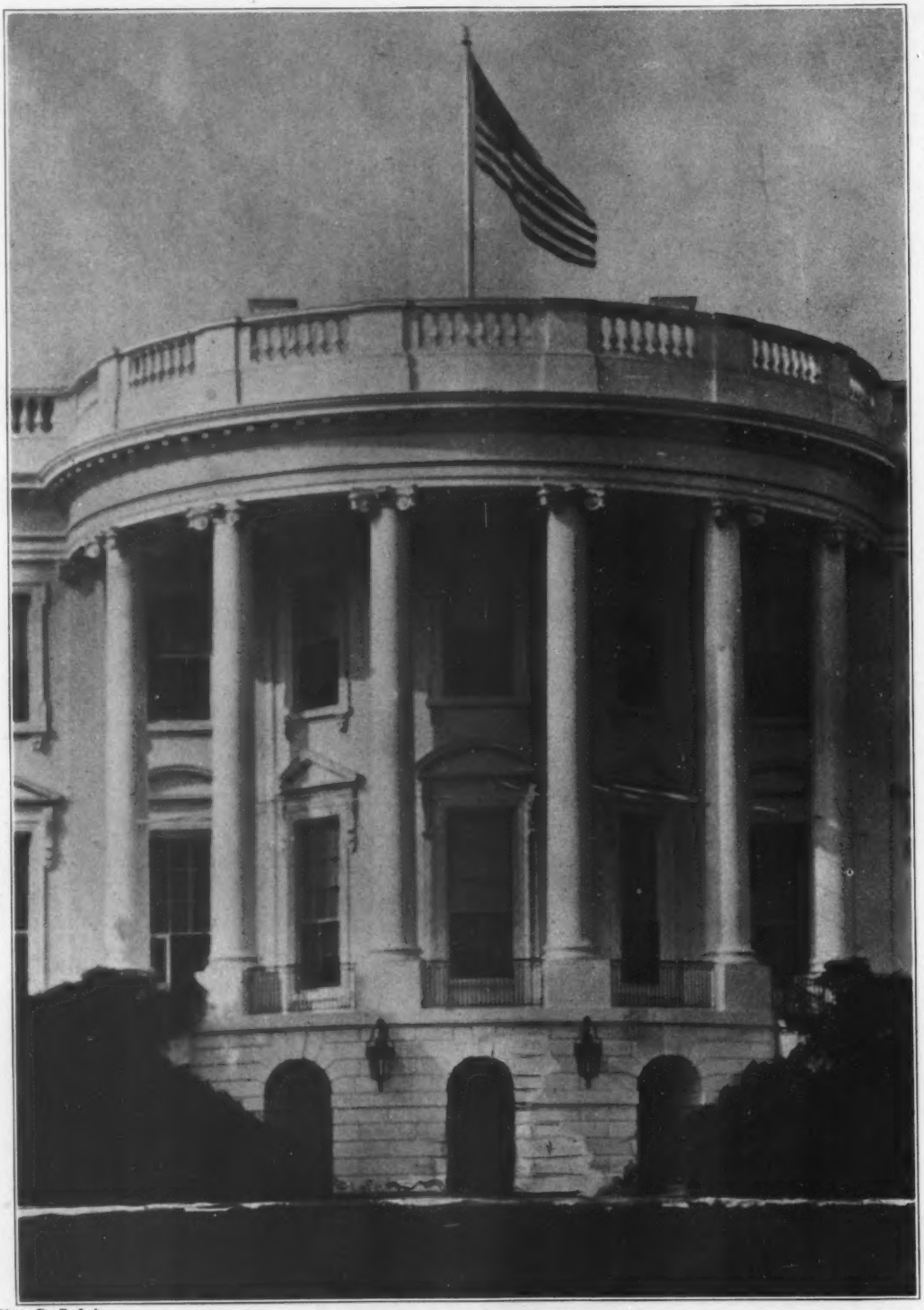

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THE WHITE HOUSE

Residence of the Nation's Presidents

Insurable Interest in Fire Insurance

Practical Application of the Principle, "A Person Cannot Insure Unless He Runs the Risk of Losing"

Photo By P. & A.

Fire Prevention Measures in Congested Districts Is a Special Duty to Community Welfare

By F. E. WOLFE

Professor of Insurance, University of Illinois

THE personal and indemnifying nature of the fire insurance policy makes it necessary that any one who enters the contract must be able to disclose a valuable interest in the property or thing insured. It is an axiom of insurance "that a person cannot insure unless he runs the risk of losing." He must stand to lose in a pecuniary way in case of fire. If the insured does not have an ownership or other financial interest in the preservation of the subject of insurance, the contract becomes a wager from the start, "a seeking of gain through chance, as opposed to a contract to avoid loss by reason of chance." Pure wagers are unenforceable at law because inconsistent with wise public policy.

Insistence upon the principle of insurable interest is of further practical concern because there are often multiple interests in the same property. For example, it is estimated that fully sixty per cent of all the real estate in this country is encumbered to some extent by mortgage, and almost invariably realty improvements must be covered by insurance policies to serve as collateral for the lenders of money. Furthermore, conditions are constantly changing, and new claimants of insurable interests appear. In all cases prudent underwriting demands that a valid interest be shown, and that the sum of the separate interests in the same property shall not exceed its actual cash value.

If a person obtains a contract without an equivalent insurable interest, he can profit by the destruction of the property, and, therefore, he represents a serious moral hazard. The personality of the insured thus becomes also one of the first considerations in negotiating contracts, not only with absolute owners, but also, and especially, in those cases where there are multiple and changing interests in the same property. Fire insurance companies, therefore, follow the practice of carefully selecting the persons to whom they issue policies, since it is essential that they should know something of their character.

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Disaster Loves to Stalk the World At Night

Meaning and Scope of Insurable Interest.

ALTHOUGH an insurable interest which is enforceable in law is essential to every contract, it is difficult to give an exact definition of the term. This is due to the range of its accepted meanings in underwriting practice and in legal decisions. An inclusive definition is that given in the Civil Code of California: "Every interest in property or any relation thereto or liability in respect thereof, of such a nature that a contemplated peril might damnify the insured, is an insurable interest."[1] Another statement is that a person has such an interest in property "when he is so situated with reference to it, that, by its destruction, he will suffer an actual loss of money or legal right, or incur a liability."[2] A third is that "generally speaking, if in given property one has a tangible interest of recognizable value, which fire can destroy or impair, then he has an insurable interest which may be separately covered under a properly drawn form of policy."[3] It is apparent that the concept includes a wide range of interests and relationships centering in property values, and that neither ownership nor possession is necessarily involved. In fact insurable interests emerge in manifold forms, extending all the way from full ownership to the expectation of commissions *or profits*. The expected benefit or profit must be more than mere hope or anticipation of interest in the property, and must arise out of something in which the party is actually interested at the time of loss.

Legal decisions have confirmed the broad meaning of the doctrine of insurable interest. At first it was held by the courts in this country that a valuable interest must exist at the time of making the contract as well as at the time of loss. Later decisions have tended to establish fire insurance upon the same base in this particular as marine and life, and for reasons of practical convenience and business necessity to hold it only necessary that there be an actual pecuniary interest at some time during the fire contract and at the time of loss.[4]

Typical Insurable Interests in Fire Underwriting.—From the hundreds of separate forms which insurable interest in fact assumes, an enumeration may be made of the types recognized in underwriting and upheld by the weight of legal authority. The more important and frequent forms are here grouped in the order of nearness to, or remoteness from absolute ownership, which is the unquestionably valid type. There are six groups:

Classification of Insurable Interests

(1) Ownership:
- Full legal title.
- Mortgagor's interest to extent of value of property mortgaged.
- Part Ownership, as partner's interests in firm's property.

(2) Credit and debt relationships:
- Debtor in property attached.
- General lien of a judgment creditor before attachment.
- Guarantor's interest.
- Improvements upon other persons' property, with consent.
- Mortgagee, to the value of mortgage upon property.
- Pledgee's interest.

(3) Possession:
- Advanced rent.
- Leasehold interest.
- One in possession, coupled with a claim of title until judicially declared invalid.
- One in possession under an illegal or defective title.
- Use and occupancy, to extent of interest.
- Vendee in possession, or conditionally obligated to pay the purchase price.
- Vendor, until completion of transfer.

(4) Representative's or agent's relationship (to extent of interest or liability):
- Administrators of estates.
- Agent or factor, for property of principal.
- Assignees in insolvency.
- Commission merchant.
- Common carrier.
- Custodians of property.
- Receivers.
- Trustees.
- Warehouseman.
- Wharfinger.

(5) Contract relationships, the value of which is dependent upon the preservation of the property:
- Building contractor in building in course of erection.
- Consignees of goods.
- Consignors of goods.
- Contractor in house he is moving.
- Insurers, in property reinsured.
- Patentee with contract for royalties in property used in connection with patents.
- Superintendent in goods of another's establishment.

(6) Mere responsibility or liability to another, and miscellaneous relationships:
- Mortgagor, after conveyance of mortgaged premises to a vendee who also assumes mortgage debt, since he is still liable on his bond.
- Railroads for injury to property by engines.

(*Continued on Page* 31)

[1]Section 2536, Code in force, 1906.
[2]Samuel D. Hirschl. "Business Law," (1914), p. 450.
[3]Robert P. Barbour, "The Agent's Key to Fire Insurance," (1922), p. 89.
[4]Richards, "Insurance Law," (3rd Ed., 1909), pp. 55, 56; "The Fire Insurance Contract," The Rough Notes Company, (1922), p. 142.

Photo by P. & A.

Not Every Farmer Has Adequate Help and Trucking Facilities for Taking Advantage of Favorable Markets

Crop Hazards and Their Insurance

Continuing A Series of Articles on the History of Efforts to Offer the Farmer Protection Against Years of Failure

BY G. WRIGHT HOFFMAN

Assistant Professor of Insurance
Wharton School of Finance and Commerce
University of Pennsylvania

ARTICLE IV

The Price Hazard

IN recent years farm relief has been the order of the day. Congress has devoted no small part of its time to a consideration of the agricultural situation: its basic facts and methods for its improvement. Many and varied proposals have been advanced usually having for their purpose either (1) to stabilize or (2) to raise and stabilize the prices of farm products. Insofar as the problem is one of stability of price only, it is fundamentally a problem of insurance and it is of this aspect of the present agricultural situaton that this article treats.

Agricultural prosperity depends upon the year-to-year relationship between farm income and farm expenses. It is sufficient to say that income *in the long run* must exceed expenses for agriculture to prosper. It is insufficient because the concept smoothes out and thus overlooks variations in income from year to year of the greatest importance. To assure farm prosperity it is also necessary that for any particular year income shall not fall so far below expenses that widespread discontent and failure results.

ASSUMING expenses to be relatively stable from year to year, farm income (and therefore the ratio of income to expenses) is a function of two variables: yield and price. In the preceding articles of this series attention has been given to those factors which adversely affect the yield and to methods of insuring against them. These factors include the elements of weather, plant disease and insect pests; and attempts to insure against them include contracts covering specific risks as well as broader blanket policies. There remains to be considered the price hazard and proposals for its insurance.

Were it possible to effectively insure against the uncertainties of market price as well as yield, a major part of present-day farm difficulties would be removed. Stability of income from year to year would result. Farming would then be placed squarely and fairly on the basis of relative efficiency and success would not depend, as at the present time, in part upon efficiency and in part upon the uncertain outcome of natural and market conditions.

Referring to the stabilization of farm prices as a problem of insurance is a somewhat broader use of the term insurance than that generally employed. It is true that in some forms of crop insurance, and particularly some of the early examples, the farmer has been indirectly insured against a decline in the market price of his crop. But this has been granted rather as an unavoidable compliment to the contract than through any desire on the part of the company to cover the hazard. No insurance company has as yet attempted to insure the price hazard *per se* and probably most companies would take the view that this is a type of risk which they are not in a position to handle. Yet it is clearly a problem of insurance and it is presented here as such with the hope that it may be given a broader and more active consideration by insurance interests.

What Is the Price Hazard?

LET us review first of all what price risk the farmer carries with respect to his crops. It is the risk of a decline in price beginning with the time when he commits his land to a particular crop and extending to the ultimate time of sale. This period of risk varies in length from a minimum of 6 months to a maxi-

mum of two years or more depending upon the kind of crop and the length of time it is held after harvest. Assuming that the farmer has no insight into the future course of prices during this period (and such is clearly the case), he stands to lose in any downward movement in price and to gain by any movement upward, the exact amount of loss or gain being determined by the price realized on the particular date chosen to sell. A contract of insurance covering this risk would, for a stipulated premium, guarantee against a part or all of the loss realized by a downward movement in price during a part or all of this period of risk. It should be clear that the policy contract for this type of insurance might take any one of a number of forms.

How May the Price Hazard be Met?

LET us consider, next, what means are available at the present time to meet in part this price risk. One remedy often urged and quite generally applied is diversification of crops. To the extent that climate and soil permit and that declines in the price of one crop are offset by higher prices in others, this plan is a good one. It is, however, only a partial solution to the problem.

Another solution is that of building up a reserve out of good years to be used to carry over the poor ones. This is the plan followed by some business units and the ultimate goal of many more. Its obvious weak point is the creation of the reserve. This is a particularly difficult task for the average farmer and only accomplished among the financially strongest.

Photo by P. & A.

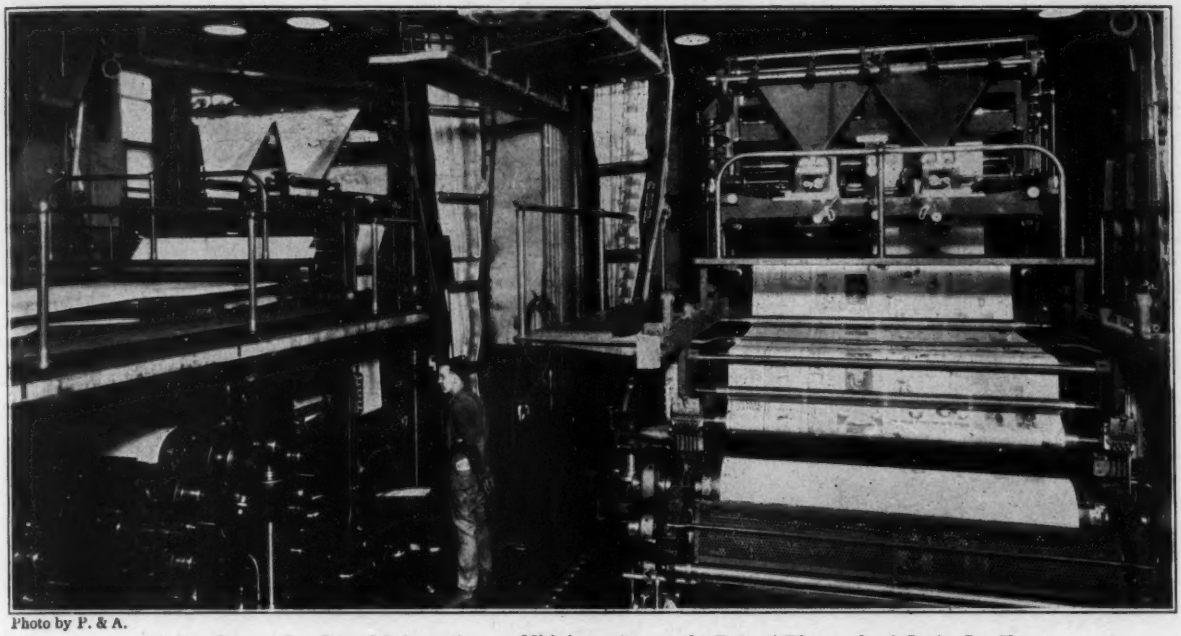
Big Crops Do Not Always Bring Good Prices As Many a Farmer Has Found to His Sorrow When Profits Were Counted Up

Another and very obvious method of decreasing the hazard is to sell the crop or crops at the earliest possible date. This might be at harvest time or in some instances by contract to country buyers before the crop is harvested. While this plan greatly shortens the interval of risk, it is quite generally the feeling today among farmers and farm organizations that the gain is at too large a sacrifice in price. A heavy movement of crops at harvest time may occasion a seasonal decline in price of considerable size; of greater importance is the fact that in an early disposal of the crop the bargaining advantage of a seller's market is lost. Orderly marketing, consisting of an attempt to dispose of supplies more uniformly throughout the crop year and at a more dependable price, is increasing in favor. Instead of diminishing the period of price risk, however, this extends it.

Still another method is available. Organized commodity exchanges such as the Chicago Board of Trade or the New York Cotton Exchange offer through the medium of trading in futures an opportunity of shifting the price risk to the shoulders of speculators. The practice is that of hedging and consists of assuming in the futures market a "short" position of equal extent to the "long" market position being held in the actual farm crop. Insofar as the futures price subsequently moves parallel to the price of the actual commodity, gains or losses growing out of variations in the market price of the farm crop are offset by equal losses or gains on the futures contract. This practice, which is a form of price insurance, is commonly maintained by terminal elevators, shippers, millers, and exporters but has not, up to the present time, met with any favor among farmers.

Beyond the methods just mentioned, the farmer must depend largely upon favorable fortune to bring him to a successful close of each year's effort. For most years these means are sufficient. With a measure of diversification of crops, some reserve to fall back upon if needed, and average luck in the selling price of his products, the efficient farmer will succeed and the average farmer can carry on. It is only the occasional year that creates a widespread need of assistance.

(*Continued on Page 24*)



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Modern Presses Can Spread Information, or Misinformation, at the Rate of Thousands of Copies Per Hour

Insurance Needs Greater Publicity

Value of the Influence of the Press on Public Opinion Greater Than Is Generally Realized

By AVARD L. BISHOP
Professor of Business Administration
Yale University

ARTICLE X

INSURANCE logic never has been adequately put across to the people. To some this may seem to be a bold proposition, but to us it seems substantially sound as we view the situation. Life insurance has made a bigger dent on the public's head than any other type of insurance, and a reason for this was advanced in the first article of this series. The public is still in the fog, however, with respect to practically every other form of insurance. Not only does the average citizen fail to understand the ABC of insurance in its theoretical and practical relationships, but he fails also to appreciate the important bearings of insurance upon our whole industrial and commercial life. This situation should be changed; it is worthy of thoughtful consideration on the part of the interests involved.

The failure of the average citizen to understand the rudiments of most forms of insurance and of the far-reaching influence of insurance upon the nation's life is not hard to seek. No one has ever made him interested in the subject. Little or nothing is ever said about insurance in the local daily press nor, until recently, in any of the metropolitan dailies; the subject is never referred to in the whole round of elementary education; it escapes mention in affairs of church and state, and so the people have grown up in ignorance of the rudiments of the subject and of its indispensability in our national economic structure.

INSURANCE logic is neither deep nor uninteresting as many people have tacitly assumed. Nor is it isolated from other big interests of the world of business and affairs, as many people believe. Rather, its fundamental principles are simple and easily understood; and, as already stated, it has a vital and intimate relationship with the workaday world; it has innumerable contacts with individuals, as such; with business enterprises, large and small; and with community interests, as well. One would be guilty of only a slight exaggeration to say that it would be hard to find a responsible adult, no matter the age or sex, who either is not now or has been insured under some form of a policy of insurance, or who has not been or is now the beneficiary under an insurance policy, or who is not living or has lived in a house which is itself as well as its contents covered by fire insurance. In truth, insurance is omnipresent in this country, at any rate, among almost all classes, in city and in country alike.

In spite of these facts, insurance never has been popularized—it never has been made one of the subjects that people talk about, such as for example, the radio, the automobile, and the movies. In a word, we repeat, it never has been put across to the public.

Take the case of fire insurance to illustrate our point. That it practically never is talked about excepting when a fire takes place probably will be universally admitted. Even then, the conversation is likely to center around the idea that the insurance company drove a sharp bargain with the insured, although, as a matter of fact, the company is more than likely to have been extremely liberal to the insured in interpreting the contract. Just what the basis is for determining how much the insurance company should pay in any case is usually unknown to the insured and to the friends and neighbors. This situation should be corrected. If it were,

an important link in the chain of educating the public in insurance matters would have been forged. Again, how many people, apart from a fraction of those who are personally engaged in the business, have an appreciation of the way in which fire insurance is interwoven with American business, and of the stimulus that it gives to our industrial and commercial life! Let us suppose that on January 1st, 1928, all fire insurance in the United States was to be cancelled; that no further coverage against the hazards of fire could be bought at any price; that all carriers of fire insurance were to be liquidated. What effect would this have upon business after the date mentioned? Unquestionably, the whole industrial and commercial organization would receive such a jolt as would cause a reversion to conditions savoring of an earlier age than ours. The full effect of such a drastic change as that supposed no one could foresee, but that far-reaching adjustments would have to be made no one would be bold enough to deny.

DOUBTLESS, however, some of the more immediate effects easily could be anticipated. For example, if fire insurance were to become permanently a thing of the past as of a certain date, some arrangement would have to be made by property owners to assume themselves the fire risks that customarily have been passed on to specialists in assuming fire risks, namely, the fire insurance companies. So far as we are able to sense the assumed situation, it would be necessary for business executives to safeguard the fire hazards surrounding their respective business units by carrying substantial cash reserves (varying of course with the size and nature of the business in any particular case) against the possibility of fire damaging or destroying their properties. If the necessary actual cash were not withdrawn from industry and tucked away against a possible emergency (fire), the various business units would have to have on hand a substantial reserve in the form of readily marketable securities to cope successfully with the potential fire hazard. The necessity of thus being prepared to meet the emergency of a fire without insurance would be a precautionary measure that literally would be forced upon the managers of the millions of business units throughout the United States. This would tie up, so to speak, a considerable proportion of the nation's capital which, under present conditions of being able to shift the fire hazard to responsible insurance companies, is now available for productive business. As one authority so aptly has put it—"Fire insurance does away with the necessity of letting capital lie idle. It is the fly-wheel upon the engine that drives America's industrial and commercial life."

Other important services of fire insurance doubtless will occur to the reader. For example, the indemnity check, often paid with noteworthy promptness by the insurance company concerned, enables the managers of the business affected by the fire to get in shape for "carrying on" again in the minimum of time. The loss from business interruption is thus lessened, and if the holders of the insurance policy are fortunate enough to have the business interruption indemnity rider attached to the policy there may be relatively little worry about the inability to resume customary business at once. Again, it is hard to conceive how a city that has been devastated by a sweeping conflagration—practically wiped out as have been some cities in times past—could rapidly become rebuilt without the indemnity ordinarily forthcoming from insurance companies that have been carrying their fire risks. Also, inasmuch as we have a widespread credit system underlying, virtually dominating, business transactions as carried on in this country, the indispensability of fire insurance as an aid and support to this kind of business can scarcely be exaggerated. Further illustrations of the services of fire insurance in modern life are numerous, but as they were featured somewhat in the third article of this series, they need not now be repeated here.

Enough now has been said, perhaps, to make the point clear that fire insurance is intimately interwoven with our whole economic structure; without it our whole economic organization would have to be reconstructed on a basis which long ago was discarded in the march of modern progress. And what is true of fire insurance in this regard is true also of many other forms of insurance; they are simply indispensable in the modern world, and form an essential basis and part of our industrial, commercial, and social life. It is only a question of time before the public will come to an appreciation of this matter, but it will require a good deal of conscious effort on the part of the insurance interests to get this and other necessary messages respecting insurance across to the people.

BEFORE undertaking to develop this last-mentioned idea, we wish to refer to another matter which doubtless has been suggested to the minds of some of our readers of the last paragraph. It is this. Do not insurance companies themselves have to keep available in cash and easily convertible securities just as much capital in the aggregate against the fire hazards of their clients as the latter collectively would have to keep available for such purpose if each property owner carried his own risk? In other words, would not an equal amount of capital have to be kept inactive or withdrawn from productive business to meet the fire hazard whether we did or did not have fire insurance companies. The answer decidedly is no. If there were no fire insurance companies, the total fire risk as of any year, let us say, would be the aggregate amount of the value of all the properties at risk. For a country such as the United States, this would be an appalling figure. When such fire risks are shifted to fire insurance companies, the law of averages, so-called, is brought into play, so that each company knows from experience what proportion of all the risks it has assumed will burn during the year. Put in another way, a fire insurance company knows beforehand the approximate amount it will have to pay out in losses during the current year, and this sum is only a very small fraction of the aggregate value of all the risks it has covered. The potential risk at stake on the property of an uninsured individual is 100 per cent of its value; the risk at stake for an insurance company is only a small part of 100 per cent of the value of the risks it has assumed. As pointed out by Mr. Allan H. Willett in his *"The Economic Theory of Risk Insurance"* — "The risk that an insurance company carries is far less than the sum of the risks of the insured." It is clear, therefore, that the amount of capital that has to be kept idle or liquid against the fire hazard, assuming the existence of fire insurance companies, is only a small percentage of the amount that necessarily must be so held if there were no fire insurance companies. An understanding of this and other simple truths regarding the economic and other advantages of insurace would strengthen materially the bond between insurance and the public; it would at once and for all times do away with the idea held by some people that insurance is an unnecessary institution and that insurance companies exist only to make

(Continued on Page 25)

Photo by P. & A.

What Is Burning, Whom It Belongs to and Whether Anyone Gets Hurt, All Complicate the Insurance Problem

Non-Insured and Non-Insurable Loss

Discussion of This Problem as Applied to the Field of Casualty Insurance Underwriting

By C. A. KULP

Assistant Professor of Insurance
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WERE it not for the sanctity that doth hedge certain words a better title for this article would be "Coinsurance in Casualty Insurance." The article is really a discussion of coinsurance, but so natural is the human habit of associating a given word or expression with a given meaning and so reluctant are we to change our ideas about meanings after time has hallowed them, that even the most obvious extensions and ramifications of the uses of words are difficult to establish. Coinsurance to the insurance man and to the very few insured who have heard of the term, means a particular practice we shall presently describe; and they may easily be pardoned for spurning an article which appears to attempt to discuss a practice which is conspicuous in casualty insurance, as we shall see, by its absence. The purpose of the article is to describe coinsurance, not as the particular *practice* which goes by that name, but as an important *principle*, operating in many guises and under many different titles in practically every single casualty insurance line.

USING the term coinsurance in this broader sense, it means simply that the insured is co-insurer or partner-insurer with the insurance company in the carrying of a certain risk. This cooperation between insurer and insured, whether voluntary or involuntary on the part of the former, is the distinguishing feature of all the various forms taken by coinsurance. When the self-assumption of risk by the insured is voluntary, that is, is not forced upon him by the company, the practice, if it has any name at all, goes by the same name as that of the general principle, coinsurance; and to keep the reader straight, the term "coinsurance" will be used here always in its current restricted sense, unless noted. When the insured involuntarily takes a share of the risk because for some reason the company will not accept it, the names given the practice are as numerous as the casualty insurance covers of which they form a part. All of these latter practices, however, may be assembled under either of two heads: deductible loss clauses and franchise clauses.

Coinsurance Clauses in Casualty Insurance.

THE purpose of the coinsurance clause (in the narrow sense) is to prevent underinsurance. It is aimed at solution of the problems

arising from property (and hence loss) non-insured, but eligible and desirable for insurance. Coinsurance used in this sense is not nearly as usual in casualty as in fire insurance, because the primary problem of the underwriter in most casualty lines is to eliminate, not *under*insurance, but *over*insurance. Two conspicuous exceptions are burglary and robbery and steam boiler insurance; the first makes use of coinsurance clauses; the second cannot, because of the impossibility of ascertaining a true relation of insurance to value, which we shall see presently is the very basis of the coinsurance clause. The coinsurance clauses of the first will be taken here to illustrate the general purpose behind the practice.

Where insurance is sold in a policy specifying a definite amount of insurance, as in property damage insurance generally (there are exceptions, as the "no amount" automobile fire policy and the usual plate glass policy) the insured is tempted to keep the insurance as low as possible to reduce premiums which are charged per $1,000, but high enough to cover probable loss. Thus for a relatively small premium he secures fully adequate protection against the usual loss, which is partial and not total; and takes only a small chance that an unusual large loss will go over the face of the policy. Such an insured is cheating his neighbor who conscientiously takes out a policy representing insurance 100 per cent to amount at risk, for the probabilities are great that neither will have a total loss, and the underinsured owner is protecting his property at a fraction of the cost to him who is fully insured.

TO prevent this kind of cheating, the coinsurance clause of the residence burglary and theft coinsurance form requires that on articles which are the special prey of burglars and thieves because of their extreme concentration of value into small space, the insured, *in order to be fully protected against all loss,* must maintain insurance at 80 per cent of value at the time of loss. (These articles are jewelry, silverware and furs). That is, the company sets a standard of insurance adequacy. If the insured measures up to the standard, he has paid his just share of the cost of furnishing burglary protection and he is paid for all loss (subject to the maximum imposed by the amount of insurance taken on these articles). If he fails to meet the standard his losses are paid in exact proportion as the insurance he carries falls short of adequacy. The standard necessarily is imposed at the time of loss or damage, because an assessment of the amount at risk either at the time of writing the policy or at intervals throughout its term is impracticable because of expense and the short time for which the assessment would be accurate. For example: An insured at the time of a loss of $1,000 is carrying insurance of $2,500 on property valued at $10,000. If there were no coinsurance clause, he would be paid in full. A 100 per cent coinsurance clause would say: "You have shirked your obligation to insure adequately by 75 per cent; your losses will be reduced by the same percentage;" and the insured would receive as full adjustment of the company's liability the sum of $250. The residence burglary and theft coinsurance percentage (for no logical reason, it probably having been copied after the usual fire insurance clause for a non-fire proof brick mercantile building) is 80 instead of 100; the loss adjustment in this case will therefore be for the sum of $312.50 instead of $250. The adjustment is higher because the standard of insurance adequacy is less rigid. Adjustments approach nearer and nearer to full payment of loss as the rates of insurance to value increases, and if $8,000 insurance is carried, all loss up to $8,000 will be paid in full.

12th ANNUAL MEETING
FEDERATION OF MUTUAL FIRE INSURANCE COMPANIES
and
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES
MILWAUKEE, WISC.
OCT. 1st, 2nd, 3rd, 4th

COINSURANCE is not compulsory in residence burglary insurance, for if the insured wishes, he can select other forms without it but which of course contain other elements less favorable to the insured, as for example, the blanket policy which takes a considerably higher premium. In mercantile open stock, however, the coinsurance clause is compulsory. Moreover, it is applied with more scientific accuracy than anywhere else in casualty insurance. The effective coinsurance percentage for example, is not uniform but varies between business classifications (by means of a socalled coinsurance limit) because the element of "stealability" varies greatly between businesses; and between different sections of the country. The coinsurance limit, to illustrate, for the agricultural implement business is always $1,000, and the amount of insurance required on a risk of this kind will never be more than $1,000 no matter what size the risk, and may even be less if the coinsurance percentage applicable times the value of the stock at the time of loss results in a sum smaller than $1,000. Shoe and boot stores are never required to have more than $3,000 insurance; assayers of gold, silver and platinum more than $5,000; electrical equipment stores, $10,000, all without respect to size; and on exactly the same reasoning which requires the owner of a non-fire proof brick mercantile building to take out for full insurance only 80 per cent of the value of the building because approximately 20 per cent represents non-damageable or non-destructible property.

The only other coinsurance clauses in casualty policies are provisions in the safe deposit box burglary and robbery policy for leasing banks and in the commercial forgery policy, although in neither are the provisions called by that name. In the first, the company assumes liability on any one box for an amount not greater than one-tenth of the face of the policy because there is no way for it to ascertain even at the time of loss the precise amounts at risk in all boxes insured. In the second, the company restricts the amount payable on a loss to any draft or check to not more than one-tenth of the policy face. Both are real coinsurance clauses, because they penalize the insured for less than adequate coverage.

Characteristics of Coinsurance Clauses.

CERTAIN of the characteristics of coinsurance clauses will be apparent upon even a cursory reading of the preceding section, others are not so apparent and should briefly be noted. To begin with, it should not be thought that coinsurance in its narrow meaning is ever compulsory. In certain lines *the coinsurance*

clause, as we have noted, *is compulsory; coinsurance* never! The difference is obvious. The insurer imposes the clause, not out of a desire to pare down loss adjustments but as the only method practicable at present for allocating equitably between insureds the cost of insurance. It infinitely prefers that the clause shall never be put in operation, for explanation of it to the insured is painful after a loss and difficult at all times. The insured may escape entirely its penalties simply by taking out sufficient coverage; for example, in purchasing open stock burglary insurance he must take a policy containing a coinsurance clause, but the clause never becomes operative if he is adequately insured. This will be apparent also in the one-tenth loss clauses of the safe deposit and forgery forms, for there too the clauses apply only if the insurance carried is so low as to reduce the amount payable on any one box or check to an inadequate sum. Increasing the face of the policy will render inoperative these as well as those other coinsurance clauses which employ instead definite percentages of insurance to value.

One final feature of coinsurance in the narrow sense should be noted briefly: As a device intended to bring insurance up to value, it is necessarily based on the *amount of insurance* and the *amount of property value.* The other provisions of casualty policies to be described in the next section which make the insured co-insurer with the company, have a quite different purpose for being and as we shall see, have reference neither to the amount of insurance nor of property value, but are always in terms of the *amount of loss incurred.*

Deductible and Franchise Clauses in Casualty Insurance.

THESE clauses, used liberally in writing casualty insurance covers, have a very important quality in common with the coinsurance clause ipse: they also make the insured partner-insurer or co-insurer. But with the single exception of the credit insurance policy, the term coinsurance is not used in connection with them; this particular provision is to be noted later. The purpose, however, of the underwriters in making use of them is quite different. Where they use coinsurance ipse to persuade the insured to take out more insurance than he is inclined to take, they use the deductible and franchise clauses to exclude from coverage losses they consider either undesirable or even non-insurable. In the broadest meaning of that term, deductible and franchise clauses are means of preventing *over*insurance, that is, insurance on losses or for amounts unnecessary or undesirable. But before we describe these clauses in detail, it will be necessary briefly to distinguish between them.

Photo by P. & A.

Special Dangers to Life and Property Are Easily Overlooked

The Deductible Clause is a provision in a policy which permits the insurer to deduct a certain amount from every loss under the policy, the excess only to be the obligation of the insurer. It is much more common than the franchise clause in casualty insurance.

The Franchise Clause is a provision which makes a policy apply only to losses reaching a specified minimum amount. It is unlike the deductible clause in that the insurer assumes liability *for the entire loss* if the amount established is reached; for losses less than this amount it pays nothing. The deductible clause uses one of two ways in setting the amount determining liability. One way is the stating of a flat sum, irrespective of the amount of loss, another the fixing of a percentage of loss or damage incurred. The franchise clause uses the first method only. All will be illustrated in a later section.

Reasons for the Deductible Clause. We have mentioned the fundamental reason for the deductible clause in casualty insurance: the desire of the company to avoid assumption of the risk of certain losses. What losses are they?

THEY are losses which the company prefers not to write (or will write only at higher premiums) for one of three reasons. By far the greater part is made up of losses which are *non-accidental.* The institution of insurance exists to indemnify for loss which is unusual, unexpected; it is not intended to care for what we may call the *normal,* the predictable losses of business and of life. For these latter are really not accidental losses at all, but are the calculable expenses or costs of running a business or the affairs of an individual. Perhaps the reader will consider that if the insured is willing to pay the insurance company for the expense of operating an insurance business, plus the normal cost themselves, it is his affair. The insured is simply out of pocket by the amount needed to operate the insurance company and is paying excessively for something for which he has no need. Waiving entirely the question whether it should permit the insured to purchase something he is better off without, why does the company not wish to cover these costs? The answer is that if they were covered the cost of insurance would be prohibitive for a person in usual circumstances, who even under current policy-making conditions is insurance-poor if he attempts full coverage of all risks to which he exposes himself. This excessive cost would result partly from the physical fact that most losses are partial; partly

(Continued on Page 28)

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The Ethics of Competition

WHEN we talk of ethics we are using a high-brow term to denote what in more colloquial language we call decent behavior—that is to say behavior which is controlled by a just regard for the rights of others. When we talk of competition we mean a matching of capacity on the part of two or more individuals or groups of individuals seeking advantage or profit in the same field.

A football match or a Marathon is a competitive enterprise. Sportsmanship recognizes a code of ethics governing such competition. There are things that may be done; there are things that must not be done. The code is not always observed. There are competitors who will resort to falsehood and trickery in order to win; who will adopt foul means to incapacitate their rivals. But any sport in which such practises are tolerated; in which they become characteristic of its conduct, loses the confidence of the public and becomes utterly discredited.

Men of decency recognize a code of ethics in business, where competition is no less keen than on the gridiron or the track, and where the material prizes are vastly greater. There are things that must not be done, even if the statutory law does not hinder. The higher law of fair-play forbids.

IN recent years business has made great progress in securing wider recognition for ethical considerations in its conduct. There is, today, in every field of legitimate enterprise a vigorous and encouraging movement to raise the standard of behavior, and to secure for every individual and concern a fair chance to be judged on merit. It is not wholly an altruistic movement. It is in part actuated by intelligent self-interest. As we become more enlightened concerning the laws which govern successful living we discover that altruism and intelligent self-interest are not unrelated. We at least discover that the security of our own rights and opportunities depends in large degree upon our respect for the rights and opportunities of others.

But, in spite of the progress of enlightenment and the efforts of men who believe in high standards of honesty and square dealing with one another, there remain those in the business field—and in the realm of insurance, no less than in others—who continue to seek advantage by methods which are discreditable to themselves and to their vocation. By trickery and deceit they endeavor to overcome defects in their own legitimate equipment, or to cast reflection upon the equipment of their competitors.

One of the favorite methods employed by such men and concerns is that of misrepresentation. It is popular because it is easy—in the beginning. That it leads to difficulties and losses they discover later; and they might be left to pay the penalty of that discovery, were it not for the fact that such practises work injury, not alone, in the long run, to the practiser, nor to the immediate victim, but to the whole field of business in which they occur. The public, becoming aware of the imposition in particular instances, is inclined to generalize, and to assume that what is done by one is done by all. Thus honest business suffers, and the individual or concern which is faithfully following ethical standards unjustly bears a part of the penalty which belongs to the offender.

MISREPRESENTATION naturally finds its greatest opportunity in the sphere of advertising. "Truth in Advertising" is a slogan which has been shouted up and down the length and breadth of the land. It is an excellent slogan, and its insistent emphasis, combined with other more forcible ways of impressing it, has had its effect. When we compare the advertisements of today with those of a quarter century ago we cannot escape the conviction that there has been a steady and splendid approximation to the ideal of the slogan. Nevertheless from time to time we are disturbed to note glaring departures from this ideal. Half-truth and distorted truth masquerades as the whole and simple truth in some of the paid-for insurance publicity which comes under our observation. The appeal of fiction to credulity takes the place of the appeal of fact to judgment. Honest mutual insurance has been compelled in several instances to meet this sort of unethical competition from rivals of the stock company type.

It is not only unethical; it is stupid. In any business the misrepresenter is an evil, the consequences of which fall, like the rain, upon the just and the unjust.

There can be no complaint against the kind of competition which adheres to truth and the practises of fair play. The more of it the better. It stimulates business. When the prospect finds that an agent is telling the truth about his proposal, and is treating his rivals with fairness and honesty, his confidence in all insurance is strengthened. His judgment as to which sort is the more advantageous is made upon the basis of facts and their appeal to his intelligence, their suitability to his particular circumstances. If he discovers that a smart dissembling has put something over, he becomes wary of all and crosses the man who has misled him and the concern he represents forever off his list.

THE encouragement of high ethical standards in competitive business is a sound endeavor from any viewpoint. In this day when the public is increasingly well-informed and discriminating no enterprise which hopes to persist by retaining confidence and goodwill can afford to deviate from the straight line of the square deal. It cannot afford to countenance among those who speak for it men to whom publicity means merely a method of creating a favorable impression at the cost of truth.

Life Lights Against a Business Background

Talking About Politics

By S. J. DUNCAN-CLARK

ALL over the country people will be talking about politics as this issue of the Journal of American Insurance goes to its readers. The topic is not to be avoided in June of a presidential year. You will have trouble escaping from it when you go on your vacation. It will be waiting for you when you get back home in September, and you will have to live with it until early November. Along about Thanksgiving day you may find occasion for gratitude in the thought that now you can talk about something else.

Of course talking about politics is an essential duty of a citizen in a democracy. We ought to talk about politics. But we ought to think about it a great deal more seriously and more intelligently than we do. Perhaps one of our troubles lies in the fact that we do talk about politics, and do not think about it. Much of what we call political thinking is political feeling. Our conversation begins with out prejudices, returns to our prejudices, circles around our prejudices, stays on the feeling surface, and rarely gets down into the thinking depths.

Only a thoughtful politics can make democracy work. You cannot run business on feelings; you cannot run it on prejudice. It has been tried with disastrous results. There is a place for sentiment in business, but thought must control it. There is a place for sentiment in politics, but here, too, thought must control.

MANY of us have come to think of politics as a game, in which any winning method is excusable. It would not be so bad to regard it as a game if we demanded as high a code of ethics in its playing as we do in other games. The man who cheats at cards is discredited utterly in the eyes of decent men. He is ruled out. But the man who cheats in politics is considered smart. He is rewarded by election to responsible office.

But even at its best the game conception of politics falls short of doing justice to its importance. Politics is, or ought to be, a science. It should be one science understood by all citizens. Now the moment we call it a science we imply certain things which are, unhappily, remote from most of our politics.

The object of science is knowledge, and the practical purpose of knowledge is its application to life and its problems. Thus we are accustomed to talk of applied science when the research of the laboratory is linked to service in industry, in art, in commerce, in health. We are living in an age when all about us may be seen the immense advantages which have been derived from this use of knowledge, the product of thought. Experience in a hundred fields of human activity ought to convince us that a little more of politics treated as a science might accomplish great good.

THERE is another implication of vital importance in this view of politics. An essential condition of any science is that it should be honest, disinterested, insistent upon obtaining the facts, all the facts, and seeing them in their right relations. Now the trouble with much of our politics is that it is too highly selective in the matter of facts. In other words it chooses only such facts as fit its predetermined aim. Often when the sort of facts it needs are unavailable it makes them, and it uses them, not in an appeal to reason, but in appeal to feeling, to prejudice, to emotion.

We can think of nothing much farther removed from the true scientist than the average politician. Their processes are utterly different; their aims as widely separated as the well-known poles. And yet the politician should be the scientist of politics.

In the fields of chemistry, of physics, of biology the worth while results are achieved by specialists; by men who devote their lives to pursuing knowledge in the particular realm of their choice.

Now in politics we also have specialists—men who get results. That they are in many instances worth while results, from the standpoint of public interest and good, is open to grave doubt. In fact there can be no doubt that too frequently the results attained by the devoted efforts of these specialists are the reverse of worth while from this standpoint. They may be profitable to the experts, and to certain friends and supporters of the experts; but that is as much as can be said for them.

Of course we must have specialists in politics. There must be men who devote their time and efforts to its processes, to its aims. Most of us are far too busy with our affairs in industry, in commerce, in professional vocations to give more than casual attention to politics. We talk about it. If it is convenient we vote on primary and election day. But politics must be pursued and operated by men who make it a major concern.

THE specialist in science is usually endowed by a university, an institute or, perhaps, an industry. He is given his laboratory. He is set free from all other cares to devote himself to research and experiment. His only obligation is to facts; that is to truth and its applicable significance in the solving of problems. If he should begin to juggle facts and to suppress some and exploit others he quickly demonstrates himself to be a faker, and loses his job. There is no boss who can tell him what facts he must use, what results he must obtain. Because he is a man of ability, of knowledge and training, of dependable integrity he is trusted to reach results that will be worth while.

But our specialist in politics—our politician—who ought to be seeking with equal freedom and equal honesty of purpose the facts which are vital to the welfare of the people, too often is developing skill in the utilization of facts, of feeling, of prejudices to serve some hidden interest from which he expects to obtain the reward which will make his labors profitable. Our political experts, in other words, are not at all scientific experts, but trickster experts. One of the problems, then, that Democracy has to solve is how it may make of its politics a science, and how it may obtain for the pursuit of this science experts who will devote their lives to it with something of the same honesty and free intelligence which characterize the scientist in the chemical or biological laboratory. We suggest that when next you talk about politics you give this phase of it a little thoughtful consideration. If a solution of this problem cannot be approximated we may yet have to admit that Mussolini is right when he declares that Democracy is a failure. We do not want to be forced to that conclusion. All that is in us rises up in rebellion against it. But we recognize that the only effective rebellion will be of the sort which changes our present attitudes and methods.

Fire Is No Stranger to Japan. *Spectacular Blaze Which Completely Destroyed the Japanese House of Peers and House of Representatives in Tokio. Anarchists Were Blamed for Setting the Fire, Which Immediately Preceded a Blaze Destroying the Home of Prince Tokugawa, President of the House of Peers and President of the America-Japan Society.*

Railroad Station Burns. *Boston Recently Suffered the Loss of the Back Bay Station of the New York, New Haven & Hartford Railroad. Heavy Smoke Impeded the Work of the Firemen, Six of Whom Were Overcome and Taken to a Hospital.*

MUTUAL INSURA
READY TO PROTE
CATASTR

Oil Makes Stubborn Blaze. *An Oil Refinery F and Badly Burned Fifteen Others. The Man Who Di Among the Leaping Flames. Twelve 5,000 Barrel T ing of An Oil Blaze Requires Some of the Most Scie the Experts in That Important Line of Endeavor Thrill Which Seems to Attract the Mo*

SURANCE STANDS PROTECT AGAINST ASTROPHE

Oil Refinery Fire at McCamey, Texas, Killed One Man e Man Who Died Was Blown 20 Feet in the Air and Fell 5,000 Barrel Tanks Went Up in Smoke. The Conquer- the Most Scientific Fire Fighting Knowledge Known to of Endeavor. Danger of Explosion Gives An Added ttract the Most Daring Kind of Bystander.

Passengers vs. Freight. *Here the Boxes and Barrels Seem to Have the Worst of the Argument. This Accident Illustrates the Need of Extreme Care With Huge Motor Vehicles Which Have Become So Common on the Hard Roads Everywhere Throughout the Country. Fortunately No Fatalities Resulted in This Instance.*

How a Car Behaved in Chicago. *Two Men Had a Narrow Escape When Their Auto Skidded Off a Bridge Connecting the Lincoln Park Lagoon and Lake Michigan. The Machine Fell Into Ten Feet of Water and the Occupants Were Rescued with Difficulty.*

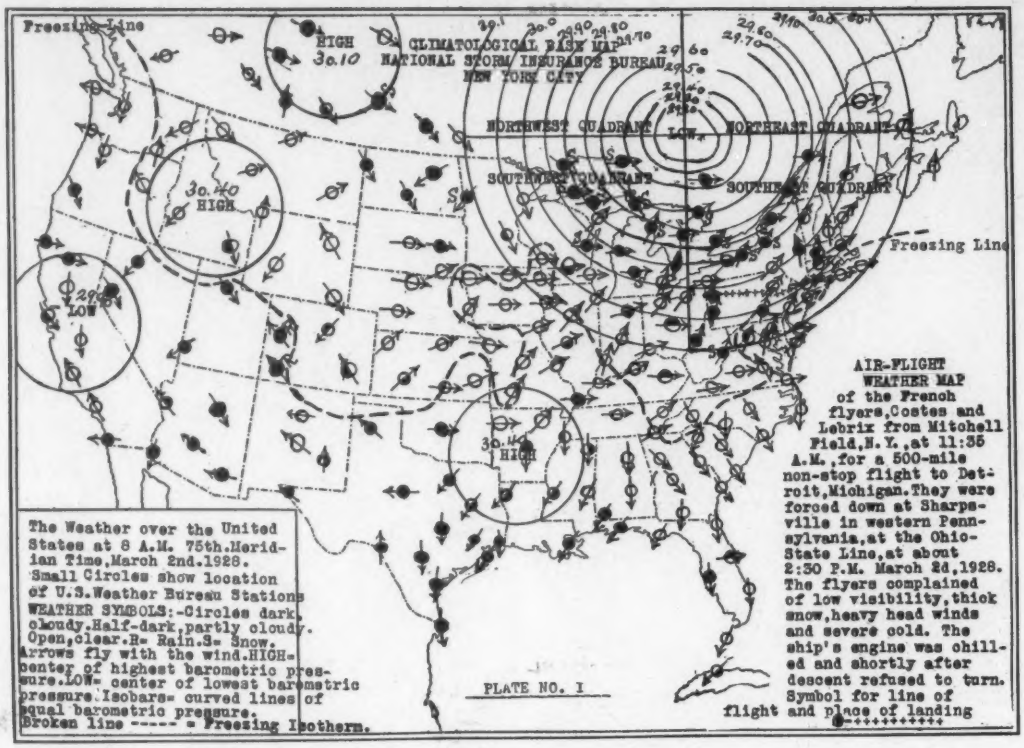

Freezing Line
HIGH
30.10
CLIMATOLOGICAL RISK MAP
NATIONAL STORM INSURANCE BUREAU
NEW YORK CITY
NORTHWEST QUADRANT
LOW
NORTHEAST QUADRANT
SOUTHWEST QUADRANT
SOUTHEAST QUADRANT
30.40
HIGH
29.40
LOW
Freezing Line
30.40
HIGH
The Weather over the United States at 8 A.M. 75th.Meridian Time,March 2nd.1928. Small Circles show location of U.S.Weather Bureau Stations WEATHER SYMBOLS:-Circles dark, cloudy.Half-dark,partly cloudy. Open,clear.R= Rain.S= Snow. Arrows fly with the wind.HIGH= center of highest barometric pressure.LOW= center of lowest barometric pressure.Isobars= curved lines of equal barometric pressure. Broken line ----- = Freezing Isotherm.
PLATE NO. I
AIR-FLIGHT WEATHER MAP of the French flyers,Costes and Lebrix from Mitchell Field,N.Y.,at 11:35 A.M.,for a 500-mile non-stop flight to Detroit,Michigan.They were forced down at Sharpsville in western Pennsylvania,at the Ohio-State Line,at about 2:30 P.M. March 2d,1928. The flyers complained of low visibility,thick snow,heavy head winds and severe cold. The ship's engine was chilled and shortly after descent refused to turn. Symbol for line of flight and place of landing

PLATE NO. I. In the four preceding Articles of THE RAINFALL HAZARD, Eighth to Eleventh Sections, inclusive, appearing in the JOURNAL OF AMERICAN INSURANCE for the months of November and December, 1927, and for February and March, 1928, we have discussed, particularly, the hazards of Aviation insurance, for flights over the two great Ocean areas of the Northern Hemisphere, viz:— The North Atlantic and The North Pacific. We have stressed the dangers to air-pilots in passing through the southeast and southwest quadrants of cyclonic LOWS. Now, an opportunity is presented to us to consider these hazards for the cyclonic LOWS passing over land areas in the United States. After an uninterrupted succession of triumphant and spectacular flights over four continents, embracing the South Atlantic Ocean, the celebrated French air-pilots, Captain Dieudonne Costes and Captain Joseph Lebrix, were compelled to make their first forced landing, in a tour of 23,000 miles, on a humble farm in the edge of the village of Starksville, Mercer County, Pennsylvania, near the Ohio-State Line, on the afternoon of March 2d, 1928. Only their skill, as pilots, in handling the ship controls saved them from a fatality.

It is apparent from all accounts in the American Press, which widely heralded the surprising event, that the French flyers did not give forehanded thought and study to the weather conditions prevailing over the course of their projected 500-mile flight from New York to Detroit via Cleveland. If they had given due consideration to existing weather facts over the planned course of their flight it would have been plainly evident that it lay through the SE. and SW. quadrants of a Cyclonic LOW area, with its center in the Province of Ontario, Canada, and its southern edge in the Ohio River Valley. On their projected course they could not escape the terrors and dangers of the dominant SE. quadrant of the LOW.

These hazards were carefully and fully explained in the Eighth Section of the RAINFALL HAZARD, appearing in the November 1927 issue of the Journal of American Insurance. The flyers may have thought that, as they were to pass over the established Air-Mail Route from New York to Cleveland, they would experience little or no difficulty and therefore special attention to weather conditions at the outset were quite unnecessary. This neglect was their undoing, which might have resulted in death and in the destruction of their justly celebrated air-ship, the Nungesser-Coli Breguet biplane. They were compelled to bow to the supremacy of the weather and submit to annoying delay in a farming community, for more favorable conditions.

Their chagrin at defeat in making what they considered a simple non-stop 500-mile flight, over American territory, from New York to Detroit, was only tempered by their almost miraculous escape from death. Recently two air-ships were forced down on the same farm by inclement flying weather, in one of which a passenger was fatally injured. Even if their trip had been a matter of urgent military necessity, on the date in question, the careful and intelligent study of weather conditions, as exhibited by the daily charts of the U. S. Weather Bureau, would have justified a sufficient detour to the south, via Philadelphia and Washington, to avoid the dangers of the SE. and SW. quadrants of the Cyclonic LOW. There was clear weather with more favorable winds south of Washington and thence northward to Detroit.

These flyers had been passing over tropical and semi-tropical areas in the Southern Hemisphere, and had had no experience in contending against the rigors of the North Temperate Zone, and especially in the line of storm travel over North Latitude 42 in the United States. It is not alone the rough topography of the great Appalachian chain of mountains, over the northern portion of which their course lay, but also to the fact that it coincided with the normal line of storm travel over the parallel of 42 north.

That means that flyers can never safely ignore the hazards of the SE. and SW. quadrants of the Cyclonic LOW in its normal course over the land and water areas of the Northern Hemisphere. More of the dangerous LOWS in both summer and winter, pass over the normal and critical line of storm travel in the United States than elsewhere.

The French flyers complained of bitter cold and almost complete exhaustion in battling against an almost continual blizzard of head winds and fine snow that crept in everywhere and lowered physical resistance to the minimum. At times they were forced to climb 7000 feet to gain visibility, and almost continuously compelled to reckon their position and lay their course by the aids on their instrument board. An examination of the chart shows that their direction of flight lay well within the area of freezing temperatures at the surface and of course much lower temperatures with altitude. How unnecessary to buck the weather under such conditions when there was nothing of moment to be gained and everything to be lost. These flyers have been trained in a different school and under less exacting conditions than those which have made the invincible, cautious and highly alert Lindbergh.

PLATE NO. II

The Small Amount of Precipitation for the Month of September, 1914 (0.20 Inch) Was Confined to the 24th and 25th. Of This Amount 0.09 Inch Fell in a Drizzle of 47 Minutes During the Evening of the First Day, and the Remainder 0.11 Inch Was Spread Over 3 Hours and 10 Minutes, on the Early Morning of the Second Day, After an Interval of 3 Hours and 13 Minutes of Fair Weather. A Trace of Rainfall, an Amount Too Small to Measure, Occurred on the Morning of the 8th With a Mist Continuing for One Hour and 30 Minutes. The Driest September Save One in 44 Years. A Drouth Prevailed from August 29th to October 1st. During September There Was 82% of Sunshine Which Was 20% Above the Normal and the Highest of Record at the Station. The Mean Temperature Was About Normal. The Precipitation was 3.39 Inches Below the Normal for the Month. There Was No Well-defined Storm Activity During the Month Over the Entire Middle and Northern Sections of the Country. Drouth Prevailed in Many Sections.

8 A.M. RAINFALL AND WEATHER OF 1914 FOR SEPTEMBER AT NEW YORK CITY, N.Y.

	DATE OF MONTH	TIMES OF OCCURRENCE MORNING	AMOUNT INCHES	DATES OF NO RAIN	DAYS OF NO RAIN	CHARACTER OF WEATHER
	September 1st	NONE	ZERO	1st	1	CLEAR
	September 2nd	NONE	ZERO	2nd	1	PARTLY CLOUDY
	September 3rd	NONE	ZERO	3rd	1	CLEAR
	September 4th	NONE	ZERO	4th	1	CLEAR
	September 5th	NONE	ZERO	5th	1	CLEAR
	September 6th	NONE	ZERO	6th	1	PARTLY CLOUDY
	September 7th	NONE	ZERO	7th	1	CLEAR
	September 8th	7:20 A.M. to 8:50 A.M.	TRACE	---	---	CLOUDY
	September 9th	NONE	ZERO	9th	1	CLEAR
	September 10th	NONE	ZERO	10th	1	CLEAR
	September 11th	NONE	ZERO	11th	1	CLOUDY
	September 12th	NONE	ZERO	12th	1	CLEAR
	September 13th	NONE	ZERO	13th	1	CLEAR
	September 14th	NONE	ZERO	14th	1	CLEAR
	September 15th	NONE	ZERO	15th	1	CLEAR
	September 16th	NONE	ZERO	16th	1	CLEAR
	September 17th	NONE	ZERO	17th	1	CLEAR
	September 18th	NONE	ZERO	18th	1	CLEAR
	September 19th	NONE	ZERO	19th	1	CLOUDY
	September 20th	NONE	ZERO	20th	1	PARTLY CLOUDY
	September 21st	NONE	ZERO	21st	1	CLEAR
	September 22nd	NONE	ZERO	22nd	1	CLEAR
	September 23rd	NONE	ZERO	23rd	1	CLEAR
	September 24th	NONE	ZERO	24th	1	CLOUDY
	September 25th	About 12:50 A.M. to 4:00 A.M.	0.11	---	---	CLOUDY
	September 26th	NONE	ZERO	26th	1	CLEAR
	September 27th	NONE	ZERO	27th	1	CLEAR
	September 28th	NONE	ZERO	28th	1	CLEAR
	September 29th	NONE	ZERO	29th	1	CLEAR
	September 30th	NONE	ZERO	30th	1	PARTLY CLOUDY
TOTALS	2-Rain Dates 28-Day Interval	2 Occurrences 4 Hours and 40 Minutes	0.11 1-Trace	28-Day Intervals	28	21-CLEAR 4-PARTLY CLOUDY 3-CLOUDY
AVERAGES	2-Rain Periods 28 - 30'	2 Hours and 20 Minutes	0.055	2-Rain Periods	28 - 20'	CLEAR

The Rainfall Hazard

Fundamental Factors Related to This Weather Risk and Their Practical Application to Underwriting

By COLONEL JOHN P. FINLEY
Consulting Meteorologist and Manager National Storm Insurance Bureau, New York City

Article IV. Rainfall Diurnals.

TWELFTH SECTION

PRECIPITATION, however small the drops of water, indicates a disturbed condition of the air. Fair weather and sunshine are only temporary interruptions of storm situations, in which convection, condensation and cyclonic circulation set up and maintain air turbulence.

Rainfall is the visible symbol and warning sign of warring elements in the air. It releases the thunderbolts of the air and brings destruction upon the earth, laying waste the habitations of man. With one hand it destroys animal and vegetable life, and with the other restores life and vigor. We have already shown in Sections Ten and Eleven of the Rainfall Diurnals, how both rain and snow bring electric energy to the earth, where man may harness it for useful ends, and suffer from its manifestation where not protected from its uncontrolled development. Recent investigations show that a potential energy of from five million to thirty million volts flows to the earth, per hour per square mile, from an elevation of from 300 to 500 feet, during violent storms, when convective weather, rapid fluctuations of pressure and swift movements of barometric depressions prevail.

To the electro-magnetic manifestations of the air is given the term "Atmospherics," the outcome of naturally occurring electro-magnetic waves that are familiar to all wireless operators. The birth of this term came through the pains of pressing necessity, for an expression that would convey a definite meaning of uniform interpretation of the experience of interference in radio-transmission. As far back as 1902 an English investigator designated the baffling and annoying situation of static, the "science of bodies at rest and of the relations required to produce equilibrium, as opposed to dynamic conditions and forces," as "X-Disturbance."

He associated this anomalous atmospheric condition with lightning, and that it was more frequent in summer and autumn than in winter and spring. Also more frequently experienced near high mountains than over the open sea; more often appearing as an accompaniment of south winds than with north winds; in the front of a cyclonic disturbance than in the rear, and with falling barometer than with rising barometer. He also notes the case of a heavy winter gale without lightning, that was *preceded* by a noticeable X-disturbance.

IN the annual report of the Astronomical Observatory of St. Ignatius College at Cleveland, Ohio, for the years 1899, 1900 and 1901 an instrument known as the Ceraunograph was employed to record static and the results obtained were used as a means of forecasting storms on the Great Lakes.

The earliest announcement that the atmosphere normally contains one or more radioactive substances was made in 1900 by a German and also an English investigator, acting independently. It was shown, not only that an insulated electrified conductor gradually loses its charge when within a closed vessel, but that a bare wire exposed to the air and charged negatively to a high voltage, gradually became coated with radioactive material.

In 1904 an American scientist demonstrated that the radioactive element of the atmosphere consists essentially of radium and thorium enanations which it is now known occur in widely varying degrees. However, on the average, they appear to produce about the same degree of electrolysis, near the surface and over land areas of approximately two ions each, of each sign, per cubic centimeter, per second. The potential gradient of atmospheric electricity near the surface of the earth varies greatly with location, season, hour and weather conditions, occasionally even reversing the sign during storms. But the general average over level areas and during fine weather appears to be at the rate of one hundred volts per meter, in response to a negative surface charge. The natural conductivity of the earth affects the distribution of atmospheric electricity on its surface, and the resulting vertical potential gradient will be so modified by topography as to be less in narrow valleys than on the neighboring ridges. Over level regions, of about the same elevation, the gradient appears to be largest in the interior of continents of the temperate zones, and least within the tropics, and also, perhaps, in very high latitudes.

The annual variation of the vertical, potential gradient, near the surface of the earth, varies considerably from place to place. In general it is comparatively small in tropical regions, and also on mountain-tops, but large, occasionally as much as double the annual average value, in the temperate zones, where the gradient changes are approximately as follows:—In the fall and early winter, a maximum of about 250 volts per meter, followed by a rapid decrease during the spring, descending to a moderately constant summer minimum of, roughly, one hundred volts per meter. The diurnal variation of the potential gradient is, in some places, quite equal to the average gradient changes with place, season and altitude. Its amplitude is greater along middle latitudes in the interior of continents than along low latitudes or over any portion of the oceans. It is greater during the winter, when it is single-crested, than in summer, when it is double-crested. Nearer the surface of the earth, at moderate elevations of half a kilometer or less, the gradient has only a single, daily maximum and minimum, regardless of its surface periods. In all cases, a minimum gradient occurs about 4:00 A. M. If the variation is a double diurnal, the second but less pronounced, occurs about mid-afternoon; the first maximum at about 9:00 A. M., and the second about 9:00 P. M. If the variation is only diurnal, as in the winter, the maximum is attained during the afternoon. From the above facts it is apparent that the single daily variation is fundamental, and that the summer afternoon minimum, that gives rise to a double diurnal variation, is only temporary, and probably due, in part, to dust caught up from the earth, that carries it along with the negative surface charge, thereby decreasing the gradient in the lower air. Just what relations actually obtain between the electric potential gradient of the atmosphere and its various meterological elements, is, in the main, rather problematical with inconclusive results, especially with respect to tem-

(*Continued on Page 26*)

THE P.M. RAINFALL AND WEATHER OF 1914 FOR SEPTEMBER AT NEW YORK CITY, N.Y.

	DATE OF MONTH	TIMES OF OCCURRENCE A F T E R N O O N	AMOUNT INCHES	DATES OF NO RAIN	DATE OF NO RAIN	CHARACTER OF WEATHER
	September 1st	NONE	ZERO	1st	1	CLOUDY. MAXIMUM TEMPERATURE, 84°
	September 2nd	NONE	ZERO	2nd	1	CLEAR. MAXIMUM TEMPERATURE, 89°
	September 3rd	NONE	ZERO	3rd	1	CLOUDY. MAXIMUM TEMPERATURE, 83°
	September 4th	NONE	ZERO	4th	1	PARTLY CLOUDY MAXIMUM TEMPERATURE, 76°
	September 5th	NONE	ZERO	5th	1	CLEAR. MAXIMUM TEMPERATURE, 75°
	September 6th	NONE	ZERO	6th	1	CLOUDY. MAXIMUM TEMPERATURE, 77°
	September 7th	NONE	ZERO	7th	1	CLEAR. MAXIMUM TEMPERATURE, 82°
	September 8th	NONE	ZERO	8th	1	CLEAR. MAXIMUM TEMPERATURE, 66°
	September 9th	NONE	ZERO	9th	1	CLEAR. MAXIMUM TEMPERATURE, 68°
	September 10th	NONE	ZERO	10th	1	CLEAR. MAXIMUM TEMPERATURE, 69°
	September 11th	NONE	ZERO	11th	1	CLOUDY. MAXIMUM TEMPERATURE, 68°
	September 12th	NONE	ZERO	12th	1	CLEAR. MAXIMUM TEMPERATURE, 66°
	September 13th	NONE	ZERO	13th	1	CLEAR. MAXIMUM TEMPERATURE, 69°
	September 14th	NONE	ZERO	14th	1	CLEAR. MAXIMUM TEMPERATURE, 69°
	September 15th	NONE	ZERO	15th	1	CLEAR. MAXIMUM TEMPERATURE, 71°
	September 16th	NONE	ZERO	16th	1	CLEAR. MAXIMUM TEMPERATURE, 76°
	September 17th	NONE	ZERO	17th	1	PARTLY CLOUDY MAXIMUM TEMPERATURE, 86°
	September 18th	NONE	ZERO	18th	1	CLEAR. MAXIMUM TEMPERATURE, 88°
	September 19th	NONE	ZERO	19th	1	CLEAR. MAXIMUM TEMPERATURE, 77°
	September 20th	NONE	ZERO	20th	1	CLEAR. MAXIMUM TEMPERATURE, 81°
	September 21st	NONE	ZERO	21st	1	CLEAR. MAXIMUM TEMPERATURE, 91°
	September 22nd	NONE	ZERO	22nd	1	CLEAR. MAXIMUM TEMPERATURE, 92°
	September 23rd	NONE	ZERO	23rd	1	CLEAR. MAXIMUM TEMPERATURE, 89°
	September 24th	8:50 P.M. to 9:37 P.M.	0.09	---	---	CLOUDY. MAXIMUM TEMPERATURE, 84°
	September 25th	NONE	ZERO	25th	1	CLOUDY. MAXIMUM TEMPERATURE, 68°
	September 26th	NONE	ZERO	26th	1	CLEAR. MAXIMUM TEMPERATURE, 63°
	September 27th	NONE	ZERO	27th	1	CLEAR. MAXIMUM TEMPERATURE, 66°
	September 28th	NONE	ZERO	28th	1	CLEAR. MAXIMUM TEMPERATURE, 61°
	September 29th	NONE	ZERO	29th	1	PARTLY CLOUDY MAXIMUM TEMPERATURE, 61°
	September 30th	NONE	ZERO	30th	1	CLEAR. MAXIMUM TEMPERATURE, 67°
TOTALS	1-Rain Date 29-DAY INTERVALS	One Occurrence Forty-seven Minutes	0.09	29-Day Intervals	29	21-CLEAR 5-PARTLY CLOUDY 4-CLOUDY
AVERAGES	1-Rain Period 47 Minutes	Forty-Seven Minutes	0.09	1-Rain Period	47 Minutes	CLEAR

PLATE NO. III

The Small Amount of Precipitation for the Month of September, 1914 (0.20 Inch) Was Confined to the 24th and 25th. Of This Amount 0.09 Inch Fell in a Drizzle of 47 Minutes During the Evening of the First Day, and the Remainder 0.11 Inch Was Spread Over 3 Hours and 10 Minutes, on the Early Morning of the Second Day, After an Interval of 3 Hours and 13 Minutes of Fair Weather. A Trace of Rainfall, an Amount Too Small to Measure, Occurred on the Morning of the 8th With a Mist Continuing for One Hour and 30 Minutes. The Driest September Save One in 44 Years. A Drouth Prevailed from August 29th to October 1st. During September There was 82% of Sunshine Which Was 20% Above Normal and the Highest of Record at the Station. The Mean Temperature Was About Normal. The Precipitation Was 3.39 Inches Below the Normal for the Month. There Was no Well-defined Storm Activity During the Month Over the Entire Middle and Northern Sections of the Country. Drouth Prevailed in Many Sections.

"WHAT'S the best way to find new prospects for farmers mutual insurance?" Have you ever put the answer to that important question up to your Sales Auxiliary?

But maybe you didn't realize that you *have* a Sales Auxiliary.

You know that you have your regular representatives; and that you can do effective auxiliary policy-promotion work from your home office by means of the mails; but what other Sales Auxiliary have you?

Perhaps the most convincing way to answer that question will be to adopt the method of Socrates, greatest of the old Grecian philosophers, by putting another question to you:

"What make of *car* do *you* own and drive?"

Let us assume that your answer is "The Blank Six."

Well, now, about this Blank Six; what kind of a car is it? Is it any good? Is it worth the price? I understand that it is a cheap bunch of junk made to *look* like a car so that suckers who can't see below the surface will pay for it ten times what it's worth.

What's that you say? Whoever told me that was either an unethical salesman for some other car or else he was a brainless fool who didn't know what he was talking about? But WHY GET SO HOT ABOUT IT?

DON'T take the trouble to answer that last question. I will answer it for you, perhaps more completely than you would care to answer it yourself.

The reason you were naturally so much annoyed and irritated by my libel on the Blank Six is because that libel was a direct challenge to your own judgment and intelligence.

You have bought a Blank Six. If it were *really* a cheap bunch of junk put together attractively to catch superficial suckers, obviously *you* would have been a superficial sucker when you bought it; and, as a red-blooded, self-respecting citizen of a free and independent Commonwealth, you are not going to give your assent to any such deduction as that!

The Blank Six is now *your* car. You picked it and paid the price for it, presumptively because you thought it was the best value on the market for the price and for your purpose.

When you fight for the Blank Six, then, you are really defending *your own judgment.*

It is only human to do that, and everyone who has the courage of his convictions will do it.

Photo by P. & A.

His Work By Its Very Nature Gives the Farmer Plenty of Opportunity to Think About An Idea You Plant in His Mind

Sales Practice Makes Perfect

Use Your Art of Salesmanship on Present Policyholders, and Reap a Double Crop of Live Prospects and Increased Ability

By CHARLES HENRY MACKINTOSH

This Is the Last of a Series of Five Articles On Mutual Insurance Salesmanship, Written Especially for the Journal of American Insurance

So, you see, you are, in a sense, a Sales Auxiliary for the Blank Six; because it doesn't take much of an inducement to make you wrack your brains to *prove* that it is the best buy in the automotive market.

Now, let us come back to the subject of finding new prospects for farmers mutual insurance — and, in fact, we have never been very far away from it:

How many policy-holders have you *now?* So many? And *why* did they purchase your policies in preference to any others?

Was it not for precisely the same reason that led you to buy your Blank Six:—because they judged it to be the best value on the market for the price and for their purpose?

Maybe you or your representative *helped* them to form that judgment and to arrive at that decision; but the interesting and important FACT is that they ACTED accordingly.

Now, is there any good reason why they shouldn't feel about *your* Farmers' Mutual Insurance just as *you* felt about your car?

If you can't think of any; let's go ahead together to think of ways in which those policy holders can be induced to lead you to new prospects and help you to sell similar policies to them.

SUPPOSE you were to go to one of your old policy-holders today, carefully picking one who had suffered a severe loss, say about six months ago, and who had been paid on the nail, according to his policy.

You say to him: "Mr. Jones, I'm with the Blank Farmers' Mutual. You are one of our valued members. I happened to be passing, and I thought I'd just drop in and pay you a little friendly visit. You had a bad loss about six months ago. Was the settlement prompt and satisfactory to you in every way?"

"Sure was! You folks got that check to me almost before the ashes were cold."

"Well, we always aim to give our good members the sort of service to which they are entitled. That's one reason why our membership is increasing so rapidly and steadily; and of course, you realize, Mr. Jones, that every good new member we get makes our mutual company—yours and mine—just so much stronger and better?"

"I guess that's right."

"Yes, sir; that's one of the fine things about a *mutual* company like ours; the good-will of its own members working in harmony with their own *mutual* interests, makes the company grow faster and stronger than any old-line concern."

"It only stands to reason, that when a farmer buys insurance from a private corporation, his *only* interest is in getting the best value he can for his money; but when he buys it from *himself* and from his brother farmers, he has a real, personal interest in seeing his company grow and succeed."

"That's why we officers and representatives of your company who spend all our time promoting its interests and building up its membership, its strength, and its reserves, always find our good old members willing and ready to help us in bringing the same benefits *they* enjoy to all their neighbors, relatives, and friends."

Your policy-holder now has a clear idea as to what you really came to see him about; but he isn't at all antagonistic about it.

He *sees* your point, because you've made it perfectly clear and didn't simply try to trade on his "gratitude" for getting that prompt settlement; to which, after all, he was fairly entitled.

AND now when you suggest that he let you have the names and addresses and whatever other useful information he has available about the insurance needs and resources of his neighbors, relatives and friends, he will gladly meet you more than half way.

He will consent to let you refer those others direct to him, calling him up on the phone for his opinion about you and your company; or he will give you a letter which you can show to all of them as conclusive evidence of his faith in you and his satisfaction with the kind of settlement you gave him.

While you are about it, you might as well get *both* the letter and the consent to endorse your proposition to those who may call him up for his personal opinion?

You won't want to have too many prospects calling him up, because that might irritate him eventually and turn him against you; but you can use his letter, and reproductions of it, on a *thousand* prospects, and it will be every bit as effective with the thousandth as with the first.

I can almost *hear* some mutual insurance men saying to themselves: "Don't *we* know that policyholders are good sources of good leads, without this man Mackintosh taking up valuable space in our favorite insurance periodical to remind us about it!"

But the *real* question is not do they *know* it, but do they *do* it? And, if they do, do they do it in the *best* way to get the *most* results?

It seems simple enough to drop in on an old policyholder and secure his active co-operation in extending the service which he enjoys—and maybe that's the trouble: it seems so simple that many insurance men either prefer to tackle harder propositions *first*, and so never really get around to calling systematically on their old clients, or else they do it in slap-bang extemporaneous style: "Say, Jim; gimme a few names of prospects, willya?"—and get only what they could have copied out of a telephone directory or a tax-list without taking the trouble to call on the client at all.

THE point for a mutual insurance man to fix fast in his mind is that the fine art of salesmanship doesn't begin and end with the business of getting names on dotted lines.

It enters, or *may* enter and *should* enter, into *every* meeting of minds in which one mind — the salesman's mind—wants the other mind to accept an idea and act upon it.

(*Continued on Page 29*)

Photo by P. & A.

For Example a Good Corn Year Should Be a Good Insurance Year Among Farmers of the Middle West

New Officers of Mutual Plate Glass Insurance Company of Shelby, Ohio

IT is a special pleasure to note the sturdy success of the Mutual Plate Glass Insurance Company of Shelby, Ohio, which has steadily piled up a volume of business and net surplus that makes it of considerable importance in the mutual field.

L. A. DENNIS

Colonel Henry Wentz, late president and founder of the company, died on April 12th of this year. In the reorganization of officials which followed, L. A. Dennis was elected to the presidency and J. J. Crum took Mr. Dennis' place as acting secretary.

The Shelby Daily Globe, in commenting on the career of the company, recently said:

"When Mr. Dennis came with the company, the office force consisted of Mr. Wentz and one stenographer. The duties of Mr. Dennis were to act as a special state agent and adjuster or mechanic.

"Plate glass insurance is a truly service insurance since under plate glass policies they indemnify for loss or damage to glass by actually replacing it. However, after all is said and done, the real service rendered to the policyholder is by the mechanic who actually replaces the glass. So Mr. Dennis, for a number of years was the actual mechanic who would visit the different cities and towns throughout Ohio, receiving the shipment of glass at the freight depot, have it drayed to the building and then actually superintend its proper installation. As soon as such a job was completed he would slip off his overalls and next be seen with the agent of that town soliciting other risks for the company.

"IT was this hard work and close study of the business that put Mr. Dennis in line for the position of secretary in 1919, at which time the company was reorganized. Colonel Wentz retired as active secretary of the company, accepting the presidency, but giving full and complete direction of the company to Mr. Dennis, under the supervision of the Board of Directors which at that time was composed of Henry Wentz, R. C. Skiles, H. G. Hildebrant, George R. Waite, W. A. Shaw together with Mr. Dennis.

"In 1918 J. J. Crum became connected with the company as auditor and in 1920 succeeded W. A. Shaw on the board and was later elected to the office of treasurer and assistant

J. I. CRUM

secretary. His coming into the organization filled a much needed requirement and the real progress of the company is due to the close cooperation and thorough understanding of Dennis and Crum. Mr. Crum now succeeds Mr. Dennis as acting secretary, which will give him recognition and prestige to which he has long since been entitled.

"S. D. Insho, Chief Mechanical Engineer of the Ohio Seamless Tube Company, was unanimously selected to fill the vacancy on the Board. Mr. Insho has been a close follower of the progress of this company for the past number of years and it was because of this interest manifested that put him in line to be chosen as a board member.

"This company has over two thousand salesmen, or representatives, scattered throughout sixteen states, a Home Office force of twenty-two people, $600,000.00 in cash assets and over $270,000.00 net surplus."

Atlantic Mutual Buys Clubhouse

AS an example of the progressive policy of mutual companies, the Atlantic Mutual Fire Insurance Company of Savannah, Ga., has purchased a fine property at South End, Tybee Island, to be used as a club house and grounds for the use of their employees.

The building is being completely renovated and improved, and several new rooms are being added, new plumbing installed with running water in every room. New furniture has been placed throughout the house and a larger living room added. For a number of years the agents throughout the adjoining territory served from the home office have visited Savannah, and have always enjoyed a short visit to Tybee. The company felt that it would be a progressive step to have its agents have the comforts of home whenever they visit Savannah during the summer season. In addition to the pleasures derived by the agents and their families, it brings them in personal touch with the officers of the Atlantic Mutual.

The company now enjoys resources of over $600,000, and has been returning to its policyholders a savings of 25 per cent. on their insurance. Officers of the company are:

C. H. Konemann, president; Fred Wessels, vice president and secretary; Joseph A. Palmer, assistant secretary; John F. Lubs, treasurer; U. H. McLaws, attorney.

Directors: George F. Harms, C. H. Konemann, C. H. Schroder, Carl Mendel, U. H. McLaws, J. D. Siem, J. F. Heitman, Fred Wessels, Jr., H. C. Brinkman, H. J. Schnaars, Morris Slotin, Cord Asendorf, John F. Lubs, H. H. Geffken, George S. Clarke.

Out of town directors: H. C. Gunther, Far Rockaway, L. I.; Fred Gherken, Augusta, Ga.; J. L. Riley, Atlanta, Ga.; E. E. Wehmann, Sr., Charleston, S. C.

The company has just enlarged its home office building to take care of its increased business and has installed the latest accounting and tabulating machines.

Crop Hazards and Their Insurance

(*Continued from Page 8*)

A Price Insurance Proposal

WHILE there are no insurance facilities available at the present time directly covering the price hazard, some proposals have been advanced recently which deserve consideration. One proposal, in particular, merits careful analysis. It is advanced by the president of a prominent cotton growers association and is designed to aid the association in building up and handling a larger volume of business.

The usual association receives cotton in the fall of the year advancing at the time 65 or 70 percent of its prevailing value to the grower and holding it in selected lots for a favorable market. This insurance proposes to guarantee that the average selling price of the association's cotton will not be less than the average price at the time of the receipt of the cotton. In order that the prices used may be dependable, a broad market such as New Orleans would be selected to measure declines or increases in price.

An illustration will aid in explaining the proposal. Suppose the contract of insurance to be dated August 15th and to run for one year. The New Orleans price of middling cotton is to be used as the basis for measuring losses or gains. Deliveries of cotton in varying amounts are made to the association from day to day throughout the fall and in turn sales are made in varying quantities and at various times up to August 15th of the following year. The aggregate value of all deliveries to the association is then determined as the sum of the several quantities received multiplied respectively by the New Orleans middling price of each individual quantity. Similarly the aggregate value of all sales by the association is the sum of all of the individual quantities sold multiplied respectively by the New Orleans price of middling cotton on the date of sale. If part of the supply remains unsold on August 15th, its selling price is assumed to be the New Orleans price on that date and if the insurance contract is renewed for another year this carry-over is assumed to have been delivered to the association at the New Orleans price of August 15th. This contract does not protect the farmer against loss due to price decline while the crop is growing or up to the time of delivery to his association. It does protect him thereafter until the time of sale.

THIS proposal would appear, on first glance, to be one of unusual risk. Such would be the case were it not for the fact that the seasonal trend in price is usually upward from harvest time in the fall to the following spring and summer. As an additional protection the author of the plan suggests that for seasons in which the fall price of cotton is above 30 cents per pound no insurance be granted. The author of the plan has analyzed the 30 year period 1896-97 to 1925-26 and, eliminating the three war years of high prices, finds that for 8 of the years there was an average decline in price amounting to a total loss for the entire period of 27 years of 6.56 cents per pound or a loss of ¼ cent per pound per year. This net cost could be loaded 100 percent and the gross premium would still be quite reasonable.

A proposal of this kind, the writer believes, is worthy of careful consideration by insurance interests. It would supply to the farmer and to farm associations needed protection against price decline during at least a part of the period of risk, and conservative farm associations would be willing to pay the cost. With price insurance they could borrow from their banks at more favorable rates and more nearly the full market value of the product. Instead of an advance of 65 or 70 percent being made to members, the association then could advance 90 percent to their members at the time of delivery and experience has proven that this difference is often a controlling factor in influencing the farmer to sell at harvest time rather than deliver his crop to the association.

Price Insurance Proposal Considered by Congress

IT is an established policy of American business to prevent government entrance into private enterprise. There is no surer way to accomplish this end than to anticipate urgent needs such as those facing agriculture today through private initiative. The whole field of risk in the growing and marketing of crops is both an opportunity and, if government interference is not desired, an obligation for private insurance organizations. A start has been made in the field of crop insurance but it is only a start. A resolution has just been approved by the U. S. Senate requesting the Secretary of Agriculture to report at the opening of the next regular session of Congress his views on the advisability of insuring farm crops by the Federal Government against droughts, floods and storms.

What the Secretary's recommendations will be are not known, but whether favorable or unfavorable this resolution should suggest the need of a broader and more active interest on the part of private insurance interests.

The price insurance proposal just reviewed is incorporated as a part of the Agricultural Surplus Control Bill now before Congress* and has been favorably reported on by the Senate Committee on Agriculture and Forestry and by the House Committee on Agriculture. The bill proposes to supply this insurance by the Federal Government. There are, in addition, other bills before Congress proposing simply to establish a guarantee price by the Government for certain farm products, buying up and carrying over to the following year the portion of the crop offered for sale at or below the guarantee level.

Private Insurance Interests Should Act

THESE are concrete proposals to provide insurance facilities to stabilize farm prices. They should strongly suggest the need of active interest and definite action on the part of private insurance if the entrance of the Federal Government into the field is not desired. With a carefully drawn contract, but one supplying a substantial indemnity in the case of an unusual loss, there is no reason to believe that it could not be made to be financially a success. It is interesting to note in this connection that very recently a leading English insurance company (not Lloyd's) has insured a large steel company against a decline in profits below a prescribed limit, due to any cause whatever. This is a new venture in the stabilization of profits in a field closely allied to price stabilization but on the whole much more hazardous.

**Article Written Before Congress Adjourned. —Editor.*

We Commend to All Insurance Men The Editorial on Page 14 of This Issue

Publicity

(*Continued from Page 10*)

money off of the public; it would, in short, cut rather a wide swath, so to speak, in clearing up the maze of misunderstanding in the vast and somewhat neglected field of public relations.

TURNING now to the question, how can insurance principles and facts, logic as some have called it, be gotten across to the public, we are confronted with a real problem. Both conscious organized effort, long continued, and careful experimentation would seem to be a necessary part of the program. In some industries, the former has taken the form of what has been called by some "co-operative institutional advertising." It is becoming apparent that in certain walks of life a conscious organized effort is being made to create and make strong public goodwill, and to arouse public interest in their respective enterprises by some kind of co-operative publicity which resolves itself into what amounts to an educational campaign. It would seem that certain trade associations or organizations of those having common interests in some special field have been trying out this idea of joint or institutional advertising. Just what the ultimate net returns are to be cannot as yet be properly appraised. The movement would seem to assure promising returns, otherwise millions of dollars would not already have been raised or be in the process of raising to carry out proposed campaigns.

Insurance, as yet, has done relatively little along these lines, although there is evidence that the movement is not likely much longer to be delayed. A plan is reported to be under consideration for promoting the public relations of fire insurance companies organized and carrying on business under the stock plan. It is stated that the public relations committee of a national fire insurance organization serving the interests of stock companies has been studying various means of improving relationships with the public of which a nation-wide educational campaign is one. The chairman of the committee in question is reported to have said—"The first step of the proposed plan contemplates reaching the personnel of companies and organizations in order that the educational work may start at the proper source. We then will have the ground work prepared for a more extensive effort in enthusing the field forces and agency staffs. By enlisting all the forces within the fire insurance business we will have thousands of public contacts paving the way for the ultimate problem of carrying our story direct to the public. To secure the support of our agents, and through them to encourage a friendly attitude on the part of local newspapers, we contemplate offering to supply agents with advertising copy for their own use, free of charge; and in consideration of this service on our part, we shall endeavor to obtain the co-operation of the agents in securing the publication of helpful news items explanatory of our business."

The general proposition here involved seems to us to be entirely sound and worthy of the efforts of stock and mutual companies alike. Furthermore, if the enterprise is carried through and achieves results at all commensurate with its promise, it is to be hoped that the same general plan will be followed by those identified with other fields of insurance. Sound education in any legitimate field of endeavor is to be commended. It is not insurance propoganda to serve the interests of any faction that should be put across to the public, but sound principles and facts for public enlightenment in a field that touches life at so many angles; and it is to be hoped, and there is every reason to believe, that this high type of educational campaign will be the only one undertaken by the fire insurance interests referred to if their present plans, as reported, reach maturity.

FURTHERMORE, the movement for educating the public in insurance matters is entirely in harmony with similar developments in other fields. Many of our great business interests have been notably active in recent years in resorting to every legitimate means for keeping the public well informed with what they are doing. This is particularly true of certain railroads and of many public utility enterprises. The latter have at times endeavored to inform the public regarding the important economic services that they perform, and their promise of future development. It is interesting to note that, possibly as an outcome of such educational efforts, there has been a marked movement in recent years toward customer ownership of public utilities, and a wider distribution of ownership among the American public in other nationally known enterprises.

Another movement, although it can hardly be called a real movement as yet, that to us seems to hold considerable promise as an educational force in the right direction in putting across to the public insurance logic is the slowly developing activity manifested here and there on the part of important newspapers in devoting a column to insurance news of the kind the general reader would likely be interested in. Such activity is in evidence sporadically from coast to coast. In New York, one of the widely read and long-established dailies has been carrying a column of insurance news for upwards of a year, and it has been reported that public interest in insurance news is not waning. In San Francisco and St. Louis and elsewhere the same experiment is being conducted with what are said to be encouraging results. It is reported that in various cities where the plan is being tried out in the daily press the readers of the papers are intensely interested in the insurance news that is being printed. The plan, it would seem, is "taking" where it has been tried. It is to be hoped that the movement will spread until a large proportion of general daily newspapers and local newspapers as well will contain regularly insurance news of a type that will serve to educate the public in general in the course of time in insurance matters. It will be some time before outstanding results will be shown; for, educating the public along any desired line is a relatively slow process, it would seem. We are of the opinion, already previously expressed by others, that a conscious effort might well be made by insurance companies and insurance organizations to sell to editors and reporters the idea of de-

(*Continued on Page 31*)

FIRE INSURANCE MAN WANTED FOR MUTUAL OFFICE IN CANADA

Experienced Fire Insurance Man with good connection, open to put Mutual Fire Insurance Company across in Canada.

ADDRESS JOURNAL OF AMERICAN INSURANCE
180 No. Michigan Ave., Chicago, Box A-210

Rainfall Hazard

(*Continued from Page 20*)

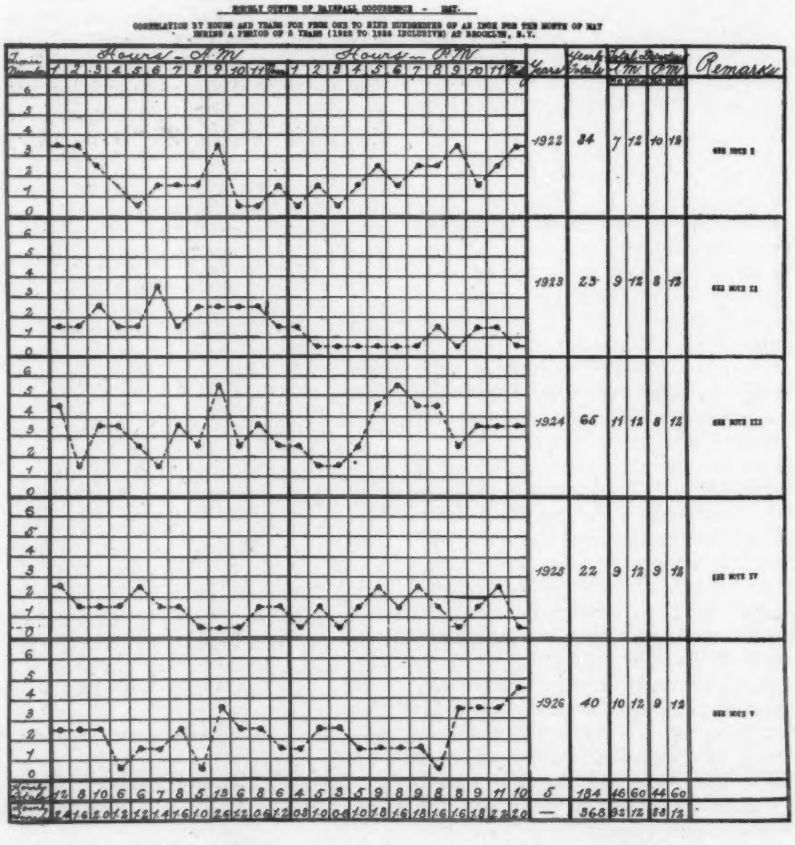
perature, humidity and pressure changes. The relation is more definite regarding the force and direction of the wind, as these elements affect the quantity of dust, smoke and gases carried into the air from the earth.

THE sources of atmospheric dust are volcanoes, meteors, combustion in its myriad forms; attrition, that never ceases in the perpetual contact of objects on the surface of the earth; salts from the spray of the ocean, in constant conflict with the air, and small particles of matter lifted from the earth by winds. Dust-motes, supply the free surfaces that appear necessary in the condensation of atmospheric vapor that forms fog, clouds, drops of rain, sleet and flakes of snow. In the laboratory, condensation, in dust-free air may take place on ions (electrified atoms). In the formation of dew, frost and low fog, we have an exhibition of the processes of radiation, convection, conduction and condensation, in the transformation of aqueous vapor into drops of water. As these processes continue, the air cools through the dew-point, and moisture begins to deposit on all small objects on the ground. Precipitating aqueous vapor by these processes, at the surface of the earth, is necessarily slow and limited. Atmospheric condensation far above the ground, in the cloud regions, producing heavy precipitation, is the result of cyclonic circulation, convection, condensation and ionization. In the formation of precipitation, under these influences, the condensation of aqueous vapor begins on dust nuclei, and on ion nuclei, the latter being electrically charged atoms, the outcome of electrolysis in the air. By the experiments of professor Carl Barus, in 1891, the proportion of ion nuclei in the air, attained a maximum in December and January, and a minimum in July and August, corresponding to the rise and fall of average monthly precipitation in the temperate zone. The further investigations of Barus enabled him to conclude that ion nuclei are not necessarily of local origin, but may be of cosmic source.

John Aitken, of Edinburgh, made extensive experiments to demonstrate the effect of dust as nuclei of cloudy condensation. He devised a practical apparatus for counting dust particles in the air, and determined the mean limit of visibility for different winds and their relation to dust content. By means of his dust counter, he has shown that the product of the number of particles, per unit space, by the distance or limit of visibility, is constant for equal depressions of the wet-bulb thermometer. For a depression of three degrees, one hundred thousand particles, per cubic-centimeter, would completely obscure objects at a distance of one mile, and one million particles, would obscure objects at one-tenth of a mile. In

PLATE NO. IV

Observations Made by Automatic Self-Recording Raingage and Checked with a Direct-Measurement-Non-Recording Raingage. Both U. S. Weather Bureau Standard Instruments Located on the Roof of the Station Building, Brooklyn, N. Y., 194.8 Feet Above Sea-Level. The Circular Dots (●) in the Rainfall Curves Mark the Hour of Measured and Recorded Precipitation. The Curve-Graph Lines Are Formed on a Uniform Basis and Progress from Left to Right in Regular Sequence. All Departures Are Referred to and Numbered from the Zero Datum Line.



[NOTE 1—Each Times Number Represents Frequency of Occurrence of Rain, of the Specified Amount, at the Given Hours During the Year. Departures Are Reckoned from Zero, Absence of Rain. The Greater the Number of Departures the More Frequent the Showers.] Hours of No Rain at 5, 10 and 11 a. m., and at 1 and 3 p. m. Ascending Departures Indicate Increasing Frequency of Rain. Descending Departures, Diminishing Frequency. Ascending Departures, a. m., 3; p. m., 5. Descending Departures, a. m., 2; p. m., 4.

NOTE II (See bracketed section of Note 1)—Hours of No Rain, 2 to 7 p. m., 9 p. m., and Midnight. Ascending Departures Indicate Increasing Frequency of Rain. Descending Departures, Diminishing Frequency. Ascending Departures, a. m., 3; p. m., 2. Descending Departures, a. m., 3; p. m. 3.

NOTE III (See bracketed section of Note 1)—Hours of No Rain, None. Ascending Departures Indicate Increasing Frequency of Rain. Descending Departures, Diminishing Frequency. Ascending Departures, a. m., 4; p. m., 2. Descending Departures, a. m., 5; p. m., 3.

NOTE IV (See bracketed section of Note 1)—Hours of No Rain, 8 to 10 a. m., and 1, 3 and 9 p. m., and Midnight. Ascending Departures Indicate Increasing Frequency of Rain. Descending Departures, Diminishing Frequency. Ascending Departures, a. m., 2; p. m., 4. Descending Departures, a. m., 3; p. m., 5.

NOTE V (See bracketed section of Note 1)—Hours of No Rain, 4 and 8 a. m., and 8 p. m. Ascending Departures Indicate Increasing Frequency of Rain. Descending Departures, Diminishing Frequency. Ascending Departures, a. m., 3; p. m., 3. Descending Departures, a. m., 4; p. m., 2.

GENERAL SUMMARY

Number of Hours of No Rain, a. m., 8; p. m., 15. Departures, Ascending, a. m., 14; p. m., 16. Descending, a. m., 17; p. m., 17. Year of Maximum Rain Frequency, 1924. Of Departures, Descending Slightly in Excess of Ascending Frequency of Rain; the Latter Greatest in p. m. Total Rain Occurrences in Five Years, 184; a. m., 95; p. m., 89.

large cities, the number of dust particles may exceed three hundred thousand per cubic centimeter, even in fine weather. Air having a very slight degree of surface saturation, will cause condensation of some of the dust particles. Aitken has obtained the following values of dust particles in air, per cubic-centimeter. Outside air, raining, 32,000. Outside air, fair, 130,000. Air confined in room, 1,860,000. Air in room, near the ceiling, 5,420,000. In the Bunsen-flame, 30,000,000. From a cigarette smoker, in free air, 4,000,000,000 particles with every puff. Try and imagine the degree of contamination this would mean in the average-sized living-room, with two persons smoking cigarettes, at the same time.

IT is apparent that the earth's atmosphere is greatly polluted with dust, produced by human agency, which, over cities, is carried to a considerable elevation by the hot air rising over them. The transparency of the air depends on the number of dust particles in it, and also on its humidity. The less dust and the drier the air, the more transparent it is. There is no evidence to show that humidity alone, viz:—water in its gaseous state, and apart from dust, has any effect on the transparency of the air.

The dust particles in the atmosphere have vapor of water condensed on them, even though the air may not be saturated. The amount of aqueous vapor condensed on dust particles, in unsaturated air, depends upon the relative humidity and also on the absolute humidity. The higher the humidity, and the higher the vapor-tension, the greater is the amount of moisture held by the dust particles, when the air is not saturated. Haze is generally produced by dust. If the air be dry, the vapor of water has little effect, and the density of the haze depends, chiefly, on the number of dust particles present. There is great diversity in the action of different kinds of dust particles in producing fog. In ordinary country fogs, the dust particles are similar to those found in clouds. If the condensation be quickly made, then a process of differentiation takes place, the smaller particles evaporating, and the larger ones increasing in size. In this way, clouds and ordinary fog tend to "rain themselves" out of existence. The opposite occurs in the town and city fog, in which many of the particles forming the nuclei of condensation have an affinity for water. Such affinity obviates differentiation of the particles, preventing the natural decay and falling of the water particles. Air with dust particles, having an affinity for water, tends to produce a maximum number of small water particles, with but little tendency to fall. On the other hand, if there be no affinity, the tendency is to produce a minimum number of large particles, with a stronger tendency to fall to the earth. The dust particles, with an affinity for water, form a persisting fog, while the other class of particles, form a fog with a tendency to rain itself away. This difference accounts for the greater thickness and persistence of town and city fogs, as compared with those occurring in the country. Most people are aware of the very heavy, damp fogs prevailing over London, having the wetness of rain. All Englishmen, in and about London, carry umbrellas throughout the year. Measurements of the monthly deposit of soot in Pittsburgh, during the year ending March, 1913, showed that, at the point of maximum deposit, the annual rate was, 1,950 tons per square-mile. At the place of minimum deposit, the measurement showed 600 tons per square-mile. Similar measurements, at the great manufacturing center of Leeds, England, showed that there are annually introduced into the air, over that city, 35,000,000 kilograms of soot. These facts have a direct bearing upon THE RAINFALL HAZARD in manufacturing cities, as compared with the conditions existing in the air over the open country. In an intensive analysis of this hazard the relative importance and effect of dust nuclei and ionized nuclei must be carefully weighted in determining the degree and persistence of the condensation of aqueous vapor. While these are naturally technical problems they have a direct and practical bearing upon the mathematical determination of THE RAINFALL HAZARD, according to locality and exposure.

Our June Cover

Home of George Washington at Mount Vernon Va. Another of the Historic Buildings of America Protected by Mutual Insurance.

AITKEN'S experiments show the sun as a fog producer, and under its influence, sunshine nuclei are formed which have such an affinity for water that condensation sets in at temperatures above the saturation temperature. The energy carried by a beam of sunlight varies from day to day with the clearness of the air and the altitude of the sun. Atmospheric transmission is diminished by a perceptible haziness. Even in the clearest weather and at high mountain stations, there is an appreciable loss of energy in the passage through the air, and the percentage of loss increases steadily as the wave-length of the radiation becomes smaller. Here we have the impressive evidence of other factors than cyclonic circulation, in action in the production of atmospheric precipitation, in the form of clouds, fog, rain and snow, according to the nature and quantity, and size of the dust particles present in the air and their affinity for water. These are the dust nuclei hastening the condensation of aqueous vapor. But in addition to these inciting causes of precipitation, we also find the influence of ionization in the production of ion nuclei, as electrically charged atoms, promoting the condensation of aqueous vapor.

Investigation has demonstrated the existence of at least four different electric currents in the atmosphere; two always and everywhere, or nearly so, and two, sporadically, in time and place; all contributing to the production of precipitation and storm conditions.

1. The lightning discharge of very brief duration, but often rising to a strength of many thousand amperes.

2. Precipitation currents, or currents due to the falling of charged rain, snow, sleet and hail. The average strength of such currents may be found from the rate of precipitation and charge, usually positive, per cubic-centimeter, of the rain, or its equivalent, in the case of snow or hail. During non-thunderstorm rains,

(*Continued on Page 29*)

Non-Insurable Loss

(*Continued from Page 13*)

from the fact that insurance company expenses are proportionately higher as losses are smaller; and (especially important in some lines) partly because elimination of the normal loss or cost is the chief if not the only practicable way to combat high moral hazard. Illustrative of casualty lines in which the last is a vital consideration are workmen's compensation, non-cancellable accident and health, and credit insurance.

Second, the insurer in some lines places an arbitrary limit, such as 75 per cent of loss, on the amount payable on any loss as a means of reducing a *hazard* which might for some reason be *undesirable*, usually for physical reasons. This is an alternate plan to that just described, which limits liability by deducting a definite amount from every loss.

Finally, in accident and health insurance, and to a certain extent, in workmen's compensation insurance, the company or the state prefers to exclude certain other claims on the ground that they are *not losses* in any sense. No matter how lowly an individual's economic status, he will usually be paid for a week or two after even a non-industrial accident, and to make accident insurance apply to lost time during this period is a violation of the first principle of insurance, which is indemnity; for the injured is paid twice for the same lost time and makes a profit through an accident. Of course, when medical or nursing expenses are incurred, or where the wages or salary are not paid in full, the argument loses some of its force; for this reason waiting periods in accident and health (often) and in workmen's compensation insurance (always) are not applied to indemnity for medical, hospital and similar extra expenses resulting from injury. Also, in credit insurance, a deduction is made from every loss roughly equivalent to the amount of profit on the goods involved, a refusal to recognize certain amounts as loss.

The Franchise Clause is found much more frequently in fire and marine than in casualty insurance. Basically its purpose is that of the deductible clause: elimination of the small loss; it is however, considerably more liberal because as soon as a loss reaches a certain minimum, the entire loss becomes a claim under the policy. If we conceive of normal loss as *any single loss of less than a certain magnitude*, the franchise clause eliminates normal loss coverage much more effectively and precisely than does the deductible clause; if we conceive of it *as a fraction of every loss*, the deductible clause is superior. The former without question is most closely analogous to such fixed and known expenses of operating a business as interest, rent, and taxes; but if the amount establishing liability in the deductible clause is modestly low, as is usual in casualty insurance, the insured will suffer no real inconvenience and his premiums will be considerably lower than for a policy embodying a franchise clause using the same liability limit. The insured who suffers most of course under the deductible clause is he who has a loss at or near the $50 or $100 limit set, for he gets little or nothing; the franchise policy-holder receives full payment. And yet it is precisely on border-line claims such as these that the insured under the franchise clause is likely to stretch his claim in order to receive payment, whereas he has no such incentive under the alternate form. The policy-holder with a loss of considerable proportions will receive practically the same amount under one as under the other. All in all the preponderance in practice of the deductible clause, despite its lack of precision in carrying out the general purpose of co-insurance or partner-insurance, is very easy to understand.

STUDENTS OF INSURANCE
Will Find in
THIS JOURNAL
ARTICLES OF THE HIGHEST VALUE FOR BROADENING THEIR KNOWLEDGE OF THE SUBJECT

Summary of Deductible and Franchise Clauses.

The following summary will indicate the various uses which are made of the principle of the deductible and franchise clause in casualty insurance. It is arranged as follows:

1. Deductible Clauses
   a. Flat amount limitation of liability
   b. Percentage limitation of liability
2. Franchise Clauses
   a. Flat amount limitation of liability
   b. Percentage limitation of liability

1. *Deductible Clauses.*

a. *Flat Amount Limitation.*

1. *Credit Insurance Normal Loss* deduction. In credit insurance under no circumstances is it possible to purchase full coverage, that is, of all credit losses. From every net loss is deducted an amount calculated to represent the insured's usual or normal loss due to bad debts, which the insured can carry just as efficiently and a great deal more cheaply than can the insurer. The normal loss deduction is also very valuable to reduce moral hazard because it stimulates more careful granting of credits. It is based primarily on the sales of the insured, although other factors, as the amount of insurance, affects its size.

2. *Workmen's Compensation* (straight) waiting period. Waiting periods, that is, preliminary periods of time during which the insured or beneficiary receives no payments under a policy, are of two varieties. The straight variety is a deductible clause, paying only for loss of wages after the period is terminated. Retroactive waiting periods will be found under franchise clauses.

3. *Accident and Health* (straight) waiting period. Non-cancellable accident and health waiting periods are of this variety. Cancellable accident and health insurance may have either a straight waiting period provision, or perhaps more usual, one which is retroactive: that is, paying from the beginning of disability if the disability persists until the end of a designated period.

4. *Plate Glass "50-50" policy.* A recent innovation in plate glass insurance promulgated by cut-rate companies is a policy which requires the insured to bear all loss up to the amount of premium on the standard policy, in return for which the cut-rate premium is just one-half of the standard. It is extremely doubtful whether plate glass insurance is an eligible candidate for the deductible principles, as most losses are considerable and the average insured has no such thing as a normal plate glass loss experience.

5. *Automobile Collision.* Full coverage may be purchased against the automobile collision hazard, but rates are well-nigh prohibitive. This hazard is ideally suited to the application of the deductible principle. The great majority of these losses are fender, lamp and other minor losses, the burden of which may without sacrifice be borne by the insured. The usual amounts written are $50, $100 and $250.

6. *Automobile Theft.* A very recent (1927) application of the deductible principle is to the automobile theft hazard. This clause provides, that unless the entire automobile is stolen, the company is not liable for the first $50 of any automobile theft. Its purpose clearly is to eliminate the coverage of equipment including tires, and makes unnecessary the usual policy provision excluding such losses specifically.

7. *Engineering Use and Occupancy.* Boiler insurance and the other engineering policies in their standard forms cover only after the 8th day of a plant shutdown. This waiting time (straight), however, may be decreased at the option of the insured.

b. *Percentage Limitation.*

1. *Automobile Fire and Theft* three quarters loss clause. This provides that the insurer is liable for not more than three-fourths of any automobile fire or theft loss. The clause comes by way of fire insurance proper and is used in congested areas where the insurer fears undue concentration of insured risks which may lead to catastrophe.

2. *Commercial Check Alteration and Forgery.* A provision in this form reads that the insurance company is liable for loss on any one check or draft for not more than 75 per cent of the loss. The purpose is to make the insured more careful in his acceptance of checks or drafts of others, which are covered in this policy.

3. *Credit Insurance.* From every loss on a credit policy is deducted a sum equal usually to 10 per cent of the net loss (before deducting normal loss) to eliminate coverage of the profit of the insured. Such a use is for the purpose of excluding claims not representing loss of any kind, the third reason for using a deductible clause. The percentage is sometimes varied (upwards) to further discourage bad moral hazard, another reason we have elsewhere listed for this general device. This percentage deduction in credit insurance is unique because of all deductible and franchise clauses, it alone is called "coinsurance," a practice likely to be confusing to the casual reader.

2. *Franchise Clauses.*

a. *Flat Amount Limitation.* Both accident and health and the workmen's compensation policies may provide for retroactive waiting periods. The option in the former rests with the insured; the nature of the waiting time is fixed for the latter by state statute, the terms of which automatically determine those of the policy.

b. *Percentage Limitation.* There exists in casualty insurance no example of a percentage limitation of liability in a franchise clause. An example in another line is that of the marine insurance franchise, which exempts the insurer from liability for specified losses unless they amount to a certain percentage of the value of the property. That this is not a casualty clause is shown by the fact that liability is determined in reference to the value of the property, unlike every one of the casualty forms, which determines liability in terms of loss only.

Sales Practice Makes Perfect

(*Continued from Page 22*)

The only thing that a mutual insurance man ever really sells anyhow is an IDEA, and he is *always* selling ideas.

The insurance prospect doesn't really buy a piece of paper printed up in the form of an insurance policy; he buys the idea of *protection* which is symbolized by that piece of paper.

But when a mutual insurance salesman has something so important as a policy—the idea of protection—to sell, he SELLS it.

He doesn't just go at it in slap-bang extemporaneous style, but he *thinks it through* before he comes face to face with his prospect, and he arranges his ideas in the best possible form to carry conviction into the mind of that prospect and make him *want* to co-operate.

It will *pay* the mutual insurance salesman to use precisely that same plan in selling all sorts of ideas to all kinds of people; because it's an old and absolutely true saying that "practice makes perfect."

The salesman who really *tries* to sell only when he has a red-hot prospect in front of him will be lucky to get half a dozen chances a day to *practice his art;* but the salesman who really sees that all salesmanship consists in selling IDEAS, and that one is selling ideas from morning till night, every time one has a friendly argument, or induces the other fellow to give assent to any simple statement; *that* salesman can and will consciously practice his art all day long.

Physical culturists claim that no professional strong man ever acquired the same *enduring* strength, even if he exercised for several hours every day, as the old-fashioned *blacksmith* acquired as a mere by-product of his occupation; because the *constant* practice which the busy blacksmith got in swinging his heavy hammer from morning till night, day after day, not only strengthened the *muscles* of his arms and back, but also thickened and toughened the *tendons* which attach the muscles to the bones.

THE same principle holds good in salesmanship; and the salesman who will *consciously* practice his art *continually,* whenever he has any kind of an idea to sell to anyone, will swiftly develop such strength and endurance in the art of salesmanship as will eventually lift him into a class by himself.

This problem of persuading policyholders to lend their active and complete co-operation in winning *new* policyholders is indeed an excellent one on which to practice all the arts of salesmanship; since, effectively done, it may easily lead to at least *five* new policies from every old policyholder.

Such salesmanship of *co-operation* —as will have been noted by all who gave due consideration to the example given—follows precisely the same principles as are involved in the salesmanship of any other IDEA:—and it will be remembered that the way to SELL an IDEA is to *spell* it out, one letter at a time: I for Interest; D for Desire; E for Enthusiasm; and A for Action.

Those are the four essential steps to a sale which must be taken in the order as given; and the only thing anyone ever really sells is an IDEA, so there are plenty of chances to PRACTICE.

To paraphrase a famous saying attributed to Michael Angelo:—"It's only a *trifle* to practice selling your *idea* on tomorrow's weather, or on the Balkan situation, or on the political problem of the day, or on the value of co-operation among members of a mutual insurance company, or even on the value of and necessity for *protection* in some particular case:—but *practice* makes *perfection,* and *perfection is no trifle!*"

Rainfall Hazard

(*Continued from Page 27*)

this current often averages about one hundred and sixty amperes, per square centimeter of surface. During violent thunder-storms, it is often far greater, at least for brief intervals.

3. Convection currents, due to the mechanical transfer of the ions in the atmosphere from one place to another, by winds, including vertical convection. The strength of such currents, per unit, area, at right angles to the direction of the wind, is obtained by multiplying the wind velocity by the net density of the charge. Through much of the atmosphere, the convection currents are about 160 amperes, per square-centimeter cross-section of the wind, per meter second of velocity.

4. Conduction currents, due to the downward flow of one set of ions, usually the positive, and the simultaneous, upward flow of the other, in response to the vertical potential gradient. Conduction currents are generally less during the day than at night, and less in summer than in winter; but always of such value that the sum total of the currents, for the entire earth, is approximately, 1,500 amperes.

Deduction

Salesman—"A velour hat, madam—what size would he take?"

She (buying his birthday present) —"Let me see—I really don't know—but he takes sixteen in collars, so I suppose his hat would be about nineteen or twenty."

Mutual Claims Executives Hold Third Annual Conference in Detroit

Delegates to the Conference of the National Association of Mutual Casualty Companies and Automotive Mutual Insurance Companies held at the Book-Cadillac Hotel in Detroit, May 21-23, report three very busy convention days, during which all profited enormously from the liberal exchange of ideas and frank discussion of claim problems and their solutions.

Mr. G. Lester Marston, Vice-President of the American Mutual Liability Company, presided as Convention Chairman at the business sessions.

Mr. L. J. Carey, General Counsel for the Michigan Mutual Liability Company opened the convention with the address of welcome and outlined the advantages which would accrue to the delegates and their companies from the interesting program which was to follow.

During the first two days of the Convention, addresses on important subjects were given by Francis B. Hawley, Claim Agent, Automobile Mutual Liability Ins. Co., Ray J. Mills, Supt. of Claims, Iowa Mutual Liability Insurance Company, H. L. Bloom, Claims Attorney, Lumbermen's Mutual Casualty Co., E. H. Bull, of the Hardware Mutual Casualty Company, L. W. Groves, Secretary, Texas Employers Insurance Association, J. Frank Scannell, General Counsel, Federal Mutual Liability Insurance Company and T. A. McGehearty, Assistant General Claims Manager, Liberty Mutual Insurance Company.

The convention then adjourned, as guests of the Michigan Mutual Liability Company, to the Michigan Mutual Industrial Hospital where it was addressed by Dr. H. N. Torrey, Surgical Director, Dr. Howell L. Begle, Ophthalmologist and Superintendent, and Dr. Grover C. Penberthy, Chief Surgeon.

This session was followed by an inspection trip of the Michigan Mutual Hospital, the First Aid Hospital of the Hudson Motor Car Company and the adjoining plant where Hudson and Essex cars are assembled. Points of general interest about the city were visited on the return trip.

In the closing session addresses were made by Warren C. Tucker, Claims Attorney, Utica Mutual Insurance Company and P. N. Snodgrass, Supt. of Claims, Wisconsin Automobile Mutual Insurance Company.

This was followed by the "Question Box" or "Round Table" discussion which proved so interesting as to carry the session well into overtime.

While a round of golf was on the program for Monday afternoon, thirty-four of the delegates passed up this sport to accept the invitation of Mr. P. W. A. Fitzsimmons, President of the Michigan Mutual Liability Company, to journey out to the Ford Airport, and inspect the plant of the Stout Aircraft Corporation. This done, they were invited to step up into the luxurious cabins of the famous all-metal, tri-motored planes for a trip over the city.

To most of the delegates this was their first experience in the air and all expressed their delight that such an opportunity had been afforded them.

Delegates to this convention were unanimous in their expressions of satisfaction with the work that had been accomplished, and all agreed that it had been one of the most helpful gatherings they had ever attended.

P. W. A. Fitzsimmons Director Chamber of Commerce of U. S.

ANOTHER honor has been added to the achievement record of P. W. A. Fitzsimmons, President of the Michigan Mutual. At the recent annual meeting of the United States Chamber of Commerce, held in Washington, D. C., Mr. Fitzsimmons was elected one of the Board of Directors. His special province will be to look after the interests of Mutual Insurance in the councils of the Chamber. His large knowledge of the insurance field, and his vigorous personality, guarantee that the duties of his important position will be well administered.

Among Those Present at the Third Annual Conference of Mutual Claims Executives Recently Held in Detroit

Insurable Interest

(*Continued from Page 6*)

Reinsurance by one company with another of the whole or any part of its liability as an insurer.
Rental value.
Reversionary interests, for beneficiaries.
Stockholders, in the corporate property.
Tenants for life.

PROPERTY rights, interests in property, and the sources from which incomes are derived become more specialized under modern industrial conditions. These changing economic relationships introduce new varieties or cases of insurable interest. The development of underwriting and the improvmeent of statistical records have also facilitated the safe assumption of new risks in which the element of insurable interest is remote and less tangible. In the course of progress a further broadening of the scope of insurable interest and its recognition in different situations and rarer forms may be expected.

Ownership Interest of Mortgagor and Separate Interest of Mortgagee in Same Property.—The most common case of more than one party having a financial interest in the same property is found in mortgagor and mortgagee relationships. It has long been legally recognized that both of these parties have such an interest. In view of the wide extent to which real property is held under mortgage, it becomes important that provision be made to maintain the insurability of the interest of the mortgagee with fairness and equity to all concerned. To the insurer it is essential that insurance be carried without violation of the contract provision against double insurance and without payments for loss in excess of actual value. The owner desires not only to protect himself against loss of the total value of the insured property because of his own financial interest in it, but also as a means of guaranteeing repayment of the indebtedness upon it in the event of fire. The mortgagee who loans money on property clearly has a right to the protection of his interest without responsibility for the insured property to the same degree as the borrower. The courts have upheld the separate insurability of two or more interests in mortgaged property. A mortgage does not give the mortgagee any ownership interest in the property nor affect the "sole and unconditional ownership" clause. Each holder of a definite interest may insure without reference to the others, and without the necessity of obtaining the consent of other insurers. The mortgagor is held to be a stranger to the separate contracts of insurance taken out by mortgagees on the same property.

IT has been said that "there is probably no more highly favored party to any contract than the mortgagee-payee under the mortgagee clause which is usually attached to a fire insurance policy. He secures without money and without price a contract which the owner of the best risk in the land cannot buy at any price. It is proper, however, that he should have absolute protection against the acts of others, and if the insurers are willing to give him an almost conditionless contract gratuitously, no criticism can be directed towards the mortgagee if he gracefully accepts the benefits thus generously bestowed."[5] For the protection of all parties in case of two or more separate interests in property several different means have been used and are available. Deficiencies in most of these have led to their displacement in favor of the so-called "mortgagee clause" which specifically safeguards the mortgagee interest. If the mortgagee does not require it to be done, it is not necessary to make any mention in a policy of a mortgage interest in realty, nor to make loss, if any, under the policy payable to the mortgagee, nor to attach a mortgagee clause. Sometimes two policies are taken out by the owner, one for the amount of the mortgage, payable to the mortgagee, and the other for the remaining part of the total value of the property payable to the owner and omitting any loss payable clause. But this practice does not protect either the owner, the mortgagee, or the insurance company so well as to make all policies payable to the mortgagee as his mortgage interest may appear.

Advantages of the Standard Clause.

BROADLY conceived, the effect of the provisions of the mortgagee clause endorsed on a policy is to afford in most States the best protection, not merely to the mortgagee, but also the insurer, the owner, and the public interest. The reduction of moral hazard and of the possibility of fraudulent collusion for excess payment of claims is beneficial to all parties. The main deficiencies of other methods for dealing with the insured situation surrounding mortgaged property are effectively eliminated. A summary of the results from endorsement of the standard mortgagee clause on a policy may be made as follows:

(a) The mortgagee becomes a party to a contract and thereby acquires a legal right for protection.

(b) He is relieved from the provisions of the mortgagor's policy which come into effect after a loss occurs, unless otherwise stipulated in the policy or the cause.

(c) He is protected against the actions or neglect of the mortgagor which violate or forfeit the policy.

(d) The moral hazard to the insurance company decreases, as well as the difficulty of making settlements where several contracts are in force upon mortgaged property.

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[5] "Some Things Every Agent Should Know," Wm. N. Bament, pp. 9-10; (Pamphlet published by National Board of Fire Underwriters).

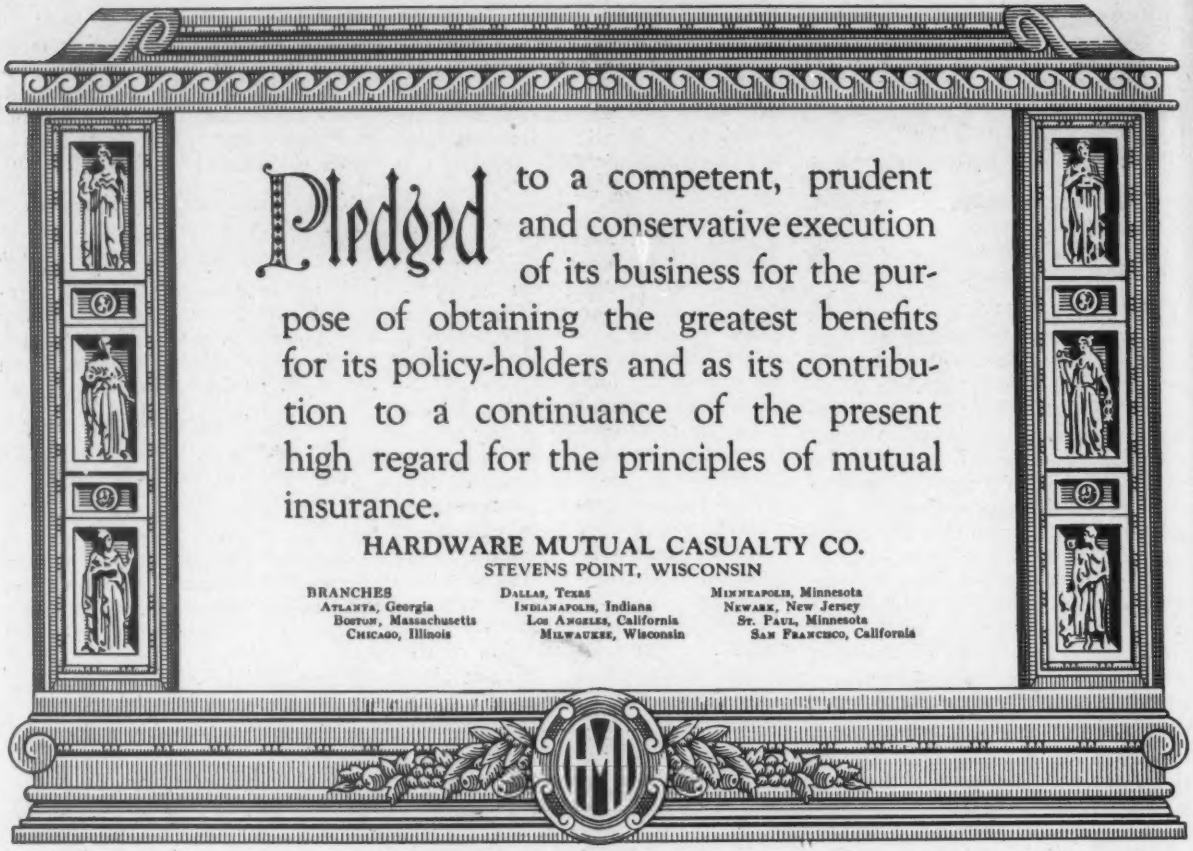
Publicity

(*Continued from Page 25*)

voting some space in each issue of their papers to general insurance news. The ear of such personages must be reached and the insurance message, designed ultimately for the general public, must be put across first to the newspaper men themselves. It might be well then to furnish insurance news of the proper type regularly to all newspapers whose co-operation could be enlisted; at any rate there should be no dearth of insurance stories of the type to catch the attention of the newspaper reader. It would be hoped that much of the news so furnished would be printed. Just how the general plan would work out in actual practice and by what experts the insurance news would be prepared are matters of detail that could be arranged in time. Nevertheless the proposition is worthy of thoughtful consideration by all interested parties—interested in educating the public in the proper way in all questions pertaining to the important subject, insurance.

Half Scotch

Levinsky, having heard that the famous specialist charges $50 the first time and $25 afterwards, entered the doctor's office for the first time, saying, "Hello, doctor, here I am again." —*Ex.*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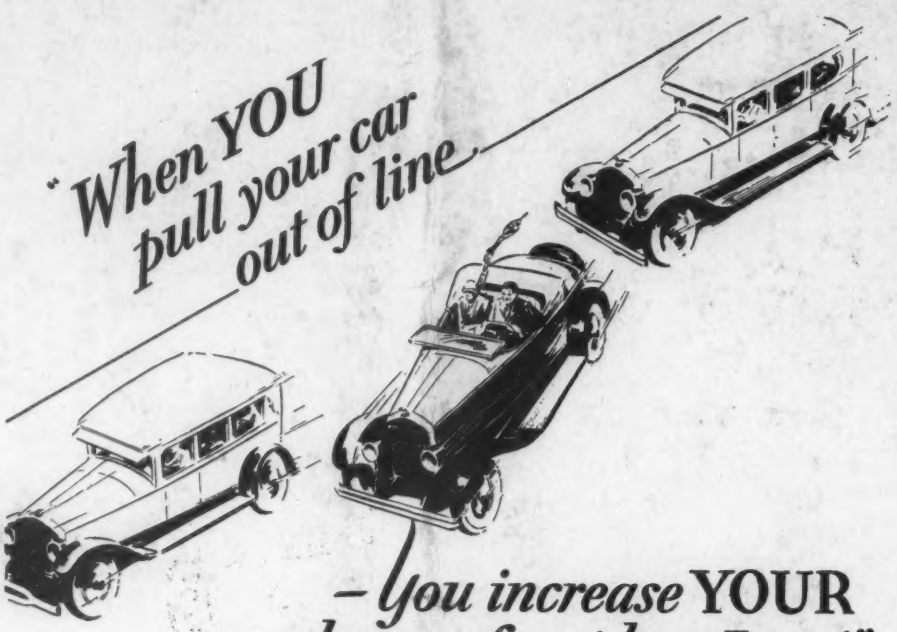

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